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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1957 <sup>1/</sup>

Individuals in the U. S. saved at a higher rate during 1957 than in any year since the end of World War II, according to estimates made public today by the Securities and Exchange Commission. Net financial saving amounted to \$16.3 billion<sup>2/</sup>, compared with \$13.3 billion in 1956 and \$7.5 billion in 1955.

Saving in 1957 was characterized by a greater flow of funds into savings accounts and a sharp increase in corporate bond investments, partly reflecting the higher returns offered by these saving media. Large redemptions of U. S. savings bonds throughout the year probably provided some of these funds. Another important change in the composition of saving in 1957, as compared with 1956 and 1955, was a substantial decline in individuals' equity in government insurance and pension funds. This was due to expanded Social Security coverage and larger withdrawals by states for unemployment payments. Saving in other financial forms, including private insurance and pension reserves, savings and loan association shares, United States Government bonds (other than savings bonds), state and local obligations, and corporate stock issues, were about the same or slightly higher than in 1956. The tapering off in debt expansion which began in 1956 continued in 1957, thereby contributing to individuals' saving. This decline was chiefly in individuals' mortgage debt, associated with declining residential construction activity and heavier repayments on outstanding mortgages.

Net purchases of securities

During 1957 individuals increased their securities investments by \$6.1 billion, \$1.0 billion more than the 1956 total but somewhat less than in 1955, the post-war high. Although there was a liquidation of holdings of U. S. savings bonds amounting to \$1.9 billion<sup>3/</sup>, individuals increased their ownership of other U. S. Government issues by \$1.9 billion and also made net purchases of state and local government securities amounting to \$1.8 billion. The largest security purchases in 1957 were corporate securities; saving in this form amounted to \$4.4 billion, greater than any year since 1929.

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- <sup>1/</sup> Individuals' saving, in addition to personal holdings, covers saving of unincorporated business, trust funds, and non profit institutions in the forms specified.
- <sup>2/</sup> Individuals' saving in the form of cash and deposits, savings and loan association shares, and securities, as well as insurance and pension reserves, net of the increase in individuals' debt.
- <sup>3/</sup> In only two other years have redemptions exceeded sales of savings bonds, 1951 and 1956, when individuals' holdings were reduced by \$500 million and \$100 million, respectively.

In 1957 net purchases of corporate bonds and stocks were \$2.1 billion more than in 1956, all of the increase being due to larger investments in debt issues. This reflected the record volume of funds obtained in the capital market by corporations primarily through the issuance of bonds. The rising level of yields during the year made these issues particularly attractive to large investors. In 1957, net issues of stocks and bonds by corporations amounted to \$14.1 billion, of which \$10.4 billion were bonds, notes and debentures, including \$2.2 billion non-guaranteed issues of Federal agencies. It is estimated that institutional buyers (mainly life insurance companies, pension funds and banks) added \$7.3 billion of debt issues to their portfolios during the year and individuals bought slightly over \$3.0 billion. The investments by individuals were spread fairly evenly over the four quarters of the year.

Net purchases of preferred and common stock by individuals totalled \$1.3 billion, of which \$1.0 billion was in investment company shares. <sup>4/</sup> Net stock flotations aggregated \$3.7 billion, slightly more than in 1956, but it is estimated that institutional investors purchased, on balance, \$2.4 billion of such issues, as against \$2.0 billion in 1956. As a result, individuals' purchases were somewhat reduced as compared with the preceding year. Over three-fourths of stock investments by individuals occurred in the first half of 1957. It should be noted that saving as treated in this series excludes capital gains and losses, so that the foregoing figures and those given in Table 1 do not take into account the decline in stock prices during 1957; however, figures given in Table 2 reflect market values at year ends.

The steady growth in mutual fund sales (net of repurchases), and their importance in the composition of individuals' saving can be observed from the table. In 1957 net sales of investment company issues to individuals reached \$1.0 billion, and comprised three-fourths of individuals' total investments in stock issues. In the two preceding years purchases of investment company issues aggregated \$800 million and \$900 million, while during the years 1951 - 1954 they averaged under \$500 million per year. These purchases primarily represent issues of the open-end company type, but also cover issues of closed-end companies and face-amount certificates. Net sales of investment companies were about the same in each quarter of 1957, whereas individuals' investments in other stock issues showed an increase during the first half of the year, dissaving in the third quarter, and only a small amount of saving in the fourth quarter.

#### Saving in other financial assets

Equity in private insurance and pension reserves, which in each of the past five years has comprised the largest component of financial saving, increased by \$7.9 billion, practically the same as in 1956. The breakdown of the total indicates that the increase in equity in private insured pension reserves was \$1.4 billion and in private life insurance was \$3.8 billion -- the latter being less than in any of the four preceding years.

<sup>4/</sup> Attention is drawn to the new arrangement of the accompanying Table 1 which separates saving in investment company shares and shares of all other corporations, and shows borrowings on securities with other debt items; formerly, securities loans were "netted" in the securities component. For periods of large borrowings, as in 1954, or substantial repayments, as in 1956, the figures presented here differ from earlier published figures.

Individuals' equity in non-insured pension reserves,<sup>5/</sup> also covered in this component, is estimated to have grown by \$2.7 billion in 1957, \$300 million more than in 1956.

Individuals' saving in government insurance and pension reserves amounted to \$2.3 billion in 1957, the lowest rate of accumulation since 1950. Reflecting the expansion in coverage under the 1956 Amendments to the Social Security Act, old-age benefits during 1957 amounted to a record \$7.3 billion. This was higher than the income from taxes and interest and produced the first annual deficit in the old-age and survivors insurance trust fund since its inception. Unemployment benefits in 1957 were \$1.9 billion, the highest since 1954. Saving in the form of government retirement and insurance systems amounted to \$2.4 billion.

Total saving in currency and bank deposits amounted to \$6.0 billion in 1957, compared with \$4.7 billion in 1956. This expansion was entirely in savings accounts which rose by \$6.7 billion, the largest increase in any year since 1945. Checking accounts of individuals declined by \$600 million during 1957, although there was a sharp rise in the fourth quarter. As in 1956, currency holdings of individuals showed no change over the year as a whole. Ownership of savings and loan association shares increased by \$4.8 billion, the same as in 1955 and 1956.

#### Individuals' debts

Individuals' indebtedness increased \$10.8 billion in 1957, substantially less than the record 1955 increase and \$2.1 billion less than in 1956. The \$8.3 billion increase in mortgage debt, the smallest since 1953, reflected the decline in residential construction, more stringent terms prevalent in the mortgage market during the year, and larger repayments. Consumer debt in 1957 rose \$2.6 billion, \$600 million less than the previous year, due principally to a continued rise in repayments. Individuals' borrowings on securities showed no overall change as a \$300 million increase in borrowings secured by U. S. Government obligations was offset by a like amount of repayment on other securities loans.

#### Ownership of financial assets

In addition to the estimates of saving discussed above, data on accumulated asset holdings of individuals have been prepared (Table 2) indicating the composition of the financial assets held by individuals and their liabilities at the end of each year, 1950 through 1957. At the end of 1957, individuals owned approximately \$280 billion worth of corporate stocks and bonds, together with \$484 billion of other financial assets, i.e., cash, bank deposits, savings and loan shares, insurance and government securities. Against these assets, individuals' mortgage, consumer, and securities loans totalled \$142 billion at the year end.

<sup>5/</sup> The fourth annual survey by the S.E.C. of corporate pension funds, covering the year 1957, will be completed within the next two months.

### Other concepts of saving

Besides the concept of saving presented here, there are other concepts of individuals' saving with different degrees of coverage currently in use. The series with the most complete coverage, the personal saving estimates of the Department of Commerce, is derived as the difference between personal income and expenditures. Conceptually, Commerce saving includes the following items not included with S.E.C. gross saving: unincorporated business and farm items such as net plant and equipment, changes in net receivables and changes in inventories. Government insurance and consumer durables are excluded from Commerce saving, which, in addition, reflects depreciation on homes. 6/

A more restricted concept of individuals' saving is the selected item series of the Home Loan Bank Board. This series covers the following components included in the S.E.C. saving: time and saving deposits, savings and loan associations, private life insurance, and U. S. savings bonds.

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6/ A complete reconciliation of the two series will appear in the July 1958 Survey of Current Business (National Income Number) and the July 1958 Statistical Bulletin of the S.E.C.

TABLE 1

SAVING BY INDIVIDUALS IN THE UNITED STATES<sup>1/</sup>

1951 - 1957

(Billions of Dollars)

Type of Saving	1951	1952	1953	1954	1955	1956	1957	1957			
								Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits	6.0	7.1	4.9	5.4	4.4	4.7	6.0	.2	.7	2.3	2.8
a. Currency	.8	1.1	.6	.4	.4	*	*	-.6	.5	-.1	.2
b. Demand deposits	3.1	1.5	-.2	1.1	.5	.4	-.6	-1.5	-1.4	.8	1.5
c. Time and savings deposits <sup>2/</sup>	2.1	4.5	4.6	4.7	3.5	4.3	6.7	2.4	1.5	1.6	1.2
2. Savings and Loan Association shares	2.1	3.1	3.6	4.4	4.8	4.8	4.8	1.0	1.6	.5	1.7
3. Securities	.4	3.3	3.4	.2	6.3	5.1	6.1	2.3	1.2	1.9	.7
a. U. S. Savings bonds	-.5	.1	.2	.6	.3	-.1	-1.9	-.6	-.5	-.5	-.4
b. Other U. S. Government	-1.1	.3	.1	-1.6	1.3	1.4	1.9	1.2	-.3	1.3	-.2
c. State and local government	.4	1.0	1.8	.6	1.6	1.4	1.8	.6	.4	.5	.2
d. Corporate and other	1.6	2.0	1.3	.6	3.1	2.3	4.4	1.1	1.5	.6	1.1
(1) Bonds and notes	-.2	.4	.4	-.1	2.0	.9	3.1	.7	.9	.6	.8
(2) Investment company shares <sup>3/</sup>	.4	.6	.4	.5	.8	.9	1.0	.3	.2	.3	.2
(3) Other preferred and common stock	1.4	1.0	.5	.2	.4	.5	.3	.1	.4	-.3	.1
4. Private insurance and pension reserves	5.4	6.5	6.8	7.3	7.6	8.0	7.9	1.9	1.8	2.2	1.9
a. Insurance reserves	3.1	3.8	3.9	4.2	4.2	4.4	3.8	.9	.8	1.2	.9
b. Insured pension reserves	1.0	1.1	1.1	1.2	1.3	1.2	1.4	.4	.4	.4	.4
c. Non-insured pension funds	1.4	1.6	1.7	1.9	2.1	2.4	2.7	.7	.7	.7	.7
5. Government insurance and pension reserves <sup>4/</sup>	4.2	4.4	3.2	2.6	3.1	3.5	2.3	.5	1.2	.6	*
6. Increase in individuals' debts	7.3	11.5	11.4	11.0	18.7	12.9	10.8	.6	3.7	2.9	3.5
a. Mortgage debt <sup>5/</sup>	6.6	6.5	7.3	9.2	12.0	10.5	8.3	1.9	2.2	2.2	2.0
b. Consumer indebtedness <sup>6/</sup>	1.0	4.4	3.6	1.0	6.1	3.1	2.6	-.9	1.5	.7	1.3
c. Securities loans <sup>7/</sup>	-.3	.6	.4	.9	.6	-.8	*	-.3	.1	*	.3
7. Net financial saving (1+2+3+4+5-6)	10.9	13.0	10.7	9.0	7.5	13.3	16.3	5.3	2.8	4.5	3.7
8. Non-farm homes <sup>8/</sup>	11.6	12.0	12.6	14.2	17.3	16.2	15.2	3.1	3.8	4.3	4.0
9. Construction and equipment of non-profit institutions	1.5	1.4	1.5	1.9	2.0	2.1	2.4	.5	.6	.7	.7
10. Consumer durable goods	27.1	26.6	29.8	29.4	35.7	34.0	35.0	8.1	8.9	8.4	9.7
11. Total gross saving (7+8+9+10)	51.2	53.0	54.6	54.4	62.5	65.6	68.9	17.0	16.1	17.9	18.0

\* Indicates less than \$50 million.

<sup>1/</sup> 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.

<sup>2/</sup> Includes shares and deposits in credit unions and the postal savings system.

<sup>3/</sup> Includes closed-end investment companies as well as mutual funds.

<sup>4/</sup> Includes Social Security funds, state and local retirement systems, etc.

<sup>5/</sup> Mortgage debt to institutions on one-to-four-family nonfarm dwellings.

<sup>6/</sup> Consumer debt owed to corporations, largely attributable to purchases 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 these items of saving.

<sup>7/</sup> Change in bank loans made for the purpose of purchasing or carrying securities.

<sup>8/</sup> Construction of one-to-four-family nonfarm dwellings less net acquisitions of properties by non-individuals.

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE U. S. <sup>1/</sup>

Year-end, 1950 - 1957

(Billions of dollars)

	1950	1951	1952	1953	1954	1955	1956	1957
<b>Financial Assets</b>								
1. Currency and deposits	130.6	136.6	143.8	148.7	154.1	158.5	163.2	169.2
a. Currency	23.3	24.1	25.2	25.8	25.5	25.8	25.9	25.8
b. Demand deposits	49.5	52.6	54.2	53.9	55.0	55.5	55.9	55.3
c. Time and savings deposits	57.7	59.9	64.4	69.0	73.6	77.2	81.4	88.1
2. Saving and loan associations shares	13.9	16.0	19.0	22.7	27.1	31.9	36.8	41.6
3. Securities <sup>1/</sup>	82.0	80.8	82.2	84.4	83.8	87.0	90.1	91.9
a. U. S. Savings bonds	49.6	49.1	49.2	49.4	50.0	50.2	50.1	48.2
b. Other U. S. Government	17.8	16.6	16.9	17.1	15.3	16.6	18.3	20.3
c. State and local Government	14.7	15.1	16.1	17.9	18.5	20.1	21.6	23.3
4. Private insurance and pension reserves	68.1	73.5	80.1	86.8	94.7	102.5	110.4	117.9
a. Insurance reserves	57.1	60.2	64.1	68.0	72.7	77.2	81.4	84.9
b. Insured pension reserves	5.4	6.4	7.5	8.6	9.8	11.1	12.3	13.7
c. Non-insured pension funds <sup>2/</sup>	5.5	6.9	8.5	10.2	12.2	14.2	16.6	19.3
5. Government insurance and pension reserves	39.9	44.1	48.5	51.8	54.4	57.5	61.0	63.3
6. Total financial assets (1 through 5)	334.6	351.1	373.7	394.4	414.1	437.5	461.3	483.9
<b>Liabilities</b>								
7. Mortgage debt	37.6	44.2	50.7	58.0	67.2	79.2	89.7	97.9
8. Consumer debt	17.9	18.8	23.2	26.8	27.8	33.9	37.0	39.6
9. Securities loans	2.8	2.6	3.2	3.6	4.4	5.0	4.3	4.2
10. Total liabilities (7+8+9)	58.3	65.6	77.1	88.4	99.4	118.1	131.0	141.8
11. Total individuals' net equity <sup>3/</sup> (6-10)	276.2	285.5	296.6	306.0	314.7	319.3	330.3	342.1

<sup>1/</sup> Does not include individuals' holdings of corporate securities. Rough estimates indicate an order of magnitude of \$280 billion at the end of 1957.

<sup>2/</sup> Book value.

<sup>3/</sup> The year to year changes in the above data are not exactly equivalent to saving shown in Table 1 which includes investments in corporate securities, not included above, and also reflects adjustments in certain of the components in order to exclude revaluations and capital gains and losses.