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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, 1960 1/

Individuals in the United States saved \$11 billion in financial form during 1960, according to estimates made public today by the Securities and Exchange Commission. Both the acquisition of assets and incurrence of debt were less than in the post-war record year 1959. At the end of 1960 it was estimated that individuals' equity in financial assets, net of liabilities, totalled \$770 billion, a decline of \$5 billion over the year, caused by lower market values of stock issues.

The pattern of individuals' saving shifted noticeably in 1960, responding to changes in interest rates, prices and economic conditions. A liquidation by individuals of U. S. Government marketable issues began in the second quarter of 1960, when yields dropped sharply. This was in contrast to record accumulations in the first quarter and throughout 1959. Individuals' savings accounts, including bank deposits and purchases of saving and loan association shares rose appreciably, particularly toward the close of the year. Purchases of Series E and H Savings Bonds increased, while purchases of foreign issues were much larger reflecting more favorable yields abroad.

Among other developments, individuals substantially reduced their holdings of common stock, but continued to invest heavily in mutual funds. Saving in private insurance and pension reserves was higher than in any prior period. The slackening in debt expansion included both consumer and mortgage debt.

Net purchases of securities

Individuals' investments in securities amounted to \$1.7 billion in 1960 compared with \$11.6 billion in 1959. Individuals sold on balance \$700 million of U. S. Government and agency marketable issues as against net purchases of 1959 of \$9.7 billion. In contrast to 1959 there were large net sales by non-financial corporations and other investors especially sensitive to changing yields, and there were net purchases by commercial banks. Furthermore, in 1960 United States direct obligations outstanding declined moderately as compared

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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, savings and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt.

with an increase of almost \$9 billion in 1959. Individuals' holdings of Series E and H Savings Bonds rose by \$500 million, while holdings of other savings bonds, which are no longer being issued, declined \$700 million.

Individuals' saving in state and local government securities totalled \$1.1 billion in 1960, less than half the amount in the previous year. The net new supply of tax-exempt issues was lower in 1960 than in 1959 and the principal institutional purchasers of this type of security, banks and insurance companies, continued their purchases at about the same rate as in the previous year.

Investments by individuals during 1960 in corporate and other securities amounted to \$1.4 billion including larger than usual purchases of foreign short-term government issues. An increase in the amount of new domestic corporate bonds contributed to an increase in individuals' holdings of these issues. Individuals also made net purchases of \$1.5 billion of investment company shares, slightly less than in 1959. However, individuals sold on balance \$1.7 billion of other preferred and common stocks. In 1960 the volume of new issues of stock was smaller while somewhat larger net purchases were made by institutional investors as compared with the previous year.

#### Saving in other financial assets

Currency and bank deposits of individuals rose \$3.9 billion in 1960, somewhat more than in 1959, with all of the increase occurring in the last half of 1960. Time deposits of individuals increased \$5 billion, 20 percent more than in 1959, and investment in savings and loan association and credit union shares rose by a record \$8 billion, 10 percent more than the 1959 record.

Equity in private insurance and pension reserves increased \$9.1 billion. Private insurance reserves grew slightly less than in 1959 reflecting increased policy loans, while the growth in insured pension reserves was estimated to be the same as in 1959. According to preliminary estimates non-insured pension funds rose approximately \$3.8 billion in 1960. The growth in Government insurance and pension reserves was \$1 billion larger than in 1959 because of the step-up in the social security contribution rate.

#### Individuals' debts

Although individuals' debts increased by almost \$15 billion, the amount was \$5 billion less than the record 1959 increase. Consumer indebtedness rose \$3.6 billion in 1960, much less than the 1959 growth, reflecting a leveling off in purchases of consumer durables. Mortgage debt of individuals rose \$10.9 billion, compared with a record \$13.4 billion in 1959, the smaller growth largely attributable to the 1960 decline in home construction activity. Individuals' loans on securities increased \$200 million during 1960 with large repayments in the first quarter of the year offset by further borrowing in the last half of the year.

#### Ownership of financial assets

Data on accumulated financial assets and liabilities are given in Table 2. At the end of 1960, financial assets of individuals amounted to almost \$960 billion of which securities comprised approximately \$490 billion. Other

assets included \$220 billion of insurance and pension reserves, \$180 billion of currency and bank deposits and \$67 billion of investments in saving and loan associations and credit unions. Of the securities owned, about \$365 billion was invested in common and preferred stocks, more than \$45 billion in U. S. savings bonds, \$28 billion in other U. S. Government issues, \$28 billion in state and local issues and \$22 billion in corporate and foreign bonds. Individuals' liabilities amounted to almost \$190 billion at the end of 1960 of which over \$130 billion represented mortgages on homes, \$50 billion was consumer debt incurred in connection with purchasing automobiles and other consumer goods, and \$5 billion loans for purchasing or carrying securities.

#### 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 personal saving estimate of the Department of Commerce is derived as the difference between personal income after taxes and expenditures. A complete reconciliation of the Securities and Exchange Commission and Commerce Department series appears annually in the July issue of the Statistical Bulletin of the Securities and Exchange Commission and in the Survey of Current Business.

The Federal Reserve Board's flow-of-funds system of accounts includes capital expenditures as well as financial components of saving and covers saving of Federal, state and local governments, businesses, financial institutions and consumers. While the Federal Reserve Board's estimates of consumer saving in financial form from the flow-of-funds accounts are similar to the Securities and Exchange Commission estimates of individuals' saving, there are some statistical and conceptual differences in the two sets of data.

A more restricted approach to saving is the selected item series of the Home Loan Bank Board. This series covers the following components: time and savings deposits of individuals, partnerships and corporations, savings and loan association shares, private life insurance and U. S. savings bonds.

TABLE I

## SAVING BY INDIVIDUALS IN THE UNITED STATES

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1957 - 1960

(Billions of dollars)

Type of Saving	1957	1958	1959	1960	1960			
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits.....	4.9	10.3	3.5	3.9	-1.9	- .3	3.3	3.0
a. Currency.....	*	.3	.7	*	-1.1	.3	*	.9
b. Demand deposits.....	-1.1	1.9	-1.3	-1.1	-1.2	-1.6	1.3	.4
c. Time and savings deposits.....	6.1	8.0	4.1	5.0	.3	1.0	2.0	1.7
2. Savings shares <u>2/</u> .....	5.2	6.5	7.3	8.0	1.6	2.3	1.4	2.7
3. Securities.....	4.6	.8	11.6	1.7	2.6	- .1	.4	-1.2
a. U. S. savings bonds								
(1) Series E & H.....	.2	.9	- .1	.5	.1	*	.1	.3
(2) Other.....	-2.1	-1.4	-1.7	-.7	-.3	-.2	-.2	-.1
b. Other U. S. Government <u>3/</u> .....	1.6	-2.4	9.7	-.7	2.1	-.6	-.4	-1.8
c. State and local government.....	2.2	1.3	2.5	1.1	.5	.4	.3	*
d. Corporate and other.....	2.8	2.5	1.2	1.4	.1	.2	.6	.5
(1) Bonds and notes.....	1.4	1.1	.3	1.6	.3	.2	.5	.7
(2) Investment company shares <u>4/</u> .....	1.1	1.6	1.7	1.5	.5	.3	.4	.3
(3) Other preferred and common stock.....	.3	-.2	-.8	-1.7	-.6	-.3	-.3	-.5
4. Private insurance and pension reserves.....	8.0	8.3	8.8	9.1	2.2	2.1	2.3	2.4
a. Insurance reserves.....	3.5	3.9	3.4	3.3	.7	.7	.9	1.0
b. Insured pension reserves.....	1.6	1.5	2.0	2.0	.5	.5	.5	.5
c. Noninsured pension funds <u>5/</u> .....	2.9	3.0	3.4	3.8	1.0	.9	1.0	.9
5. Government insurance and pension reserves <u>6/</u> .....	3.2	.6	2.2	3.3	.3	2.1	1.0	-.1
6. Increase in individuals' debts.....	10.3	10.5	19.6	14.8	.6	4.8	4.6	4.8
a. Mortgage debt <u>7/</u> .....	7.8	9.8	13.4	10.9	2.4	2.7	3.1	2.7
b. Consumer indebtedness <u>8/</u> .....	2.5	.3	6.1	3.6	-.5	1.9	.7	1.5
c. Securities loans <u>9/</u> .....	-.1	.4	.2	.2	-1.3	.1	.8	.6
7. Net financial saving (1+2+3+4+5-6).....	15.7	16.0	13.9	11.2	4.0	1.3	3.8	2.1
8. Nonfarm homes <u>10/</u> .....	15.6	16.4	20.3	18.4	3.9	4.8	5.2	4.6
9. Construction and equipment of nonprofit institutions.....	2.5	2.7	2.9	3.2	.7	.7	.9	.8
10. Consumer durable goods.....	40.4	37.3	43.4	43.6	10.0	11.2	10.1	12.4
11. Gross saving (7+8+9+10).....	74.1	72.4	80.5	76.4	18.7	18.0	19.9	19.9

\* 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 organizations, multi-employer plans and union administered plans.

6/ Includes Social Security, unemployment, civil service and 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 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 those items of saving.

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

10/ Construction of one-to-four-family nonfarm dwellings less net acquisitions of properties by nonindividuals.

## FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1957 - 1960

(Billions of dollars)

<u>Financial Assets</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
1. Currency and deposits.....	163.6	173.9	177.4	181.3
a. Currency.....	24.7	25.0	25.7	25.7
b. Demand deposits.....	55.0	56.9	55.6	54.5
c. Time and saving deposits.....	84.0	92.0	96.1	101.1
2. Savings shares.....	45.0	51.5	58.8	66.8
3. Securities.....	363.6	452.7	506.0	491.2
a. U. S. savings bonds.....	48.2	47.7	45.9	45.7
b. Other U. S. Government <u>1/</u> .....	23.2	19.6	27.8	28.0
c. State and local government.....	23.5	24.8	27.3	28.4
d. Corporate and other <u>2/</u> .....	268.6	360.6	405.0	389.1
(1) Bonds and notes.....	20.0	21.0	17.7	21.8
(2) Investment company shares.....	14.0	20.2	23.1	24.0
(3) Other preferred and common shares.....	234.6	319.4	364.2	343.3
4. Private insurance and pension reserves...	119.7	130.6	140.1	149.3
a. Insurance reserves.....	84.3	88.7	92.3	95.8
b. Insured pension reserves.....	14.0	15.5	17.5	19.5
c. Noninsured pension reserves.....	21.4	26.4	30.2	34.0
5. Government insurance & pension reserves..	64.3	64.9	67.2	70.4
6. Total financial assets..... (1 through 5)	756.2	873.6	949.4	959.1
<u>Liabilities</u>				
7. Mortgage debt.....	98.4	108.1	121.5	132.4
8. Consumer debt.....	40.2	40.5	46.5	50.2
9. Securities loans.....	4.2	4.6	4.8	5.0
10. Total liabilities (7+8+9).....	142.7	153.2	172.8	187.6
11. Total individuals' net equity <u>3/</u> ..... (6-10)	613.5	720.4	776.6	771.5

1/ Estimated market value. Includes nonguaranteed Federal agency issues.2/ Rough estimates of market value.3/ The year to year changes in the above data are not equivalent to saving shown in Table 1 which does not reflect revaluations in certain of the components.