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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1964.

Individuals saved over \$29 billion in financial form ^{1/} during 1964, \$6.8 billion more than in 1963, according to estimates made public today by the Securities and Exchange Commission. This was the highest total in the post-war period and reflected the continued strong growth in the economy, stimulated by the tax cut. During the year the market value of individuals' financial assets, net of their debts, rose by 10 percent and at the close of 1964 totaled more than one trillion dollars.

Bank deposits formed the most important outlet for individuals' saving in 1964, the amount being close to the high levels of the previous two years. However, the growth in saving also was reflected in larger investments of marketable U. S. Government and tax-exempt obligations, and a record increase in individuals' equity in insurance and pension reserves. Net acquisitions of mutual fund shares were greater than at any time since the 1962 stock market break, and individuals' liquidation of other stock issues were less severe than during the preceding two years. Investment in savings and loan association shares, while still high, was less than in 1963. In addition to the growth in these financial assets, individuals made substantial purchases of new homes and consumer durable goods with the result that mortgage debt and consumer credit rose appreciably.

Currency and deposits

Individuals' currency, checking accounts and time deposits at banks grew by \$17.8 billion in 1964, \$300 million higher than 1963 and close to the high for recent years of \$18 billion in 1962. Individuals' currency and demand deposits rose \$7.5 billion, a peace-time record, comparing with \$6.6 billion in 1963. While the flow of savings into time deposits at commercial banks had slackened somewhat during the first half of 1964, an upward trend accompanied the increase in interest rates. The yearly total for individuals' saving at commercial and mutual savings banks was \$10.3 billion, \$600 million less than in 1963. Investments in savings shares at savings and loan associations and credit unions amounted to \$11.3 billion in 1964, a half billion dollars less than for the preceding year, with the decrease being chiefly attributed to competitive rates offered by banks.

Net purchases of securities

Individuals' saving in securities totaled \$5.2 billion, the largest amount in five years, with the principal increases in U. S. Government

^{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.

marketable obligations, tax-exempt securities and investment company shares. Individuals added \$3.0 billion of U. S. marketable securities to their portfolios, the largest such investment since 1959, reflecting the favorable terms of the two advance refunding offers during the year. Holdings of U. S. Savings Bonds, Series E&H, rose by \$1.2 billion as compared to \$1.6 billion during 1963. Ownership of other savings bonds continued to decline as outstanding issues matured. Individuals added \$2.1 billion to their ownership of state and local issues during 1964, the highest amount in seven years. Although net new state and local issues were not quite as large as in the record year 1963, commercial banks' purchases were much less than during 1962 and 1963.

Net acquisitions of investment company shares showed renewed growth in 1964, and amounted to \$1.9 billion. Sales of other stock issues by individuals exceeded their purchases by \$2.8 billion but such net sales were considerably less than in the preceding two years. This was mainly due to two major stock offerings in 1964, the AT&T rights offering and the Comsat issue, in which there was widespread interest by individuals. In 1964 new issues less retirements of preferred and common stock amounted to \$1.4 billion, and net acquisitions by financial institutions aggregated over \$4.0 billion. In the preceding year, net new stock issues were negative, i.e., the amount retired slightly exceeded new offerings, and net acquisitions by financial institutions were almost as large as in 1964.

Individuals added \$200 million of corporate and other bonds to their investment portfolios, about the same as in 1963. The volume of net new debt issues in 1964 was at an all-time high, but the supply of these issues was largely absorbed by institutional investors, including life insurance companies and pension funds which made large purchases directly from issuers.

Insurance and pension reserves

Equity in private insurance and pension reserves increased by a record \$12.3 billion, a billion dollars greater than in 1963. Private insurance reserves grew 10 percent more than in 1963, or by \$5.4 billion, the increase being chiefly ascribed to higher personal income and the growing number of families. Insured pension reserves are estimated to have increased by \$1.8 billion, slightly more than in 1963, while preliminary estimates indicate that private noninsured pension funds rose \$5.1 billion, \$400 million more than in 1963. Government insurance and pension reserves increased by \$5.4 billion during 1964 compared to \$4.4 billion the preceding year, reflecting higher payments and contributions and lower unemployment benefit payments.

Individuals' debts

Individuals' indebtedness grew by \$22.9 billion, almost as much as the record \$23.2 billion rise in 1963. Mortgage debt advanced \$16.2 billion, slightly more than in 1963, with interest rates and terms remaining fairly stable. Consumer debt increased \$6.5 billion, \$200 million higher than in 1963, the rise being chiefly associated with the high automobile sales. Securities borrowing was nominal, the net increase mainly representing loans on U. S. Government issues to brokers and dealers which are included with individuals in this series.

Quarterly trends

Net financial saving during the fourth quarter of 1964 totaled \$6.2 billion, \$700 million higher than the last quarter of 1963, but a sharp drop from the preceding quarter's total of \$8.7 billion. Individuals' debt, an offset to saving, increased seasonally to \$7.5 billion as compared to a \$5.7 billion increase in the third quarter and \$8.1 billion during the last three months of 1963. While a seasonal rise occurred in individuals' holdings of currency and bank deposits, savings shares, private insurance and pension reserves, investment in securities was the smallest for any quarter of 1964, reflecting lower purchases of U. S. Government marketable securities and further net sales of other preferred and common stock.

Ownership of financial assets

The foregoing figures and those in Table 1 do not take into account changes in market values because saving as treated in this series excludes capital gains and losses. In Table 2 however, market value of accumulated financial assets and liabilities at the end of the years 1960-64 are given. At the close of 1964 gross financial assets of individuals totaled over \$1,370 billion. Securities holdings comprised 53 percent of total assets and aggregated almost \$730 billion. Other assets included almost \$245 billion of currency and bank deposits, \$110 billion of saving shares in savings and loan associations and credit unions and \$290 billion of insurance and pension reserves. Of the securities held, \$590 billion represented preferred and common stock, including investment company shares. Other securities holdings included \$49 billion of U. S. Savings Bonds, \$29 billion of U. S. Government marketable obligations, tax-exempt securities of almost \$36 billion and \$22 billion of corporate and foreign bonds. Individuals' liabilities totaled \$265 billion comprised of \$187 billion mortgages on homes, almost \$70 billion of consumer credit and \$8 billion of 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 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.

TABLE 1

SAVINGS BY INDIVIDUALS IN THE UNITED STATES ^{1/}

1961 — 1964

(Billions of dollars)

Type of Saving	1961	1962	1963	1964	1964			
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits.....	8.7	18.0	17.5	17.8	2.0	3.7	6.0	6.1
a. Currency and demand deposits.....	.2	3.1	6.6	7.5	.8	1.4	3.4	3.4
b. Time and savings deposits.....	8.8	14.9	10.9	10.3	2.8	2.3	2.5	2.7
2. Savings shares ^{2/}	9.4	10.0	11.8	11.3	2.5	3.3	2.1	3.5
3. Securities.....	.9	.9	.5	5.2	1.6	1.3	1.5	.8
a. U. S. savings bonds								
(1) Series E&H.....	1.3	.9	1.6	1.2	.3	.3	.3	.3
(2) Other.....	.5	.5	.4	.3	.1	.1	.1	.1
b. Other U. S. Government ^{3/}	-1.5	.6	.5	3.0	1.5	.1	1.3	.3
c. State and local government.....	1.1	.3	1.5	2.1	.2	1.0	.4	.6
d. Corporate and other.....	.5	-2.2	-2.8	.8	.4	.2	.4	.3
(1) Bonds and notes.....	.1	.2	.2	.2	.3	*	.1	.5
(2) Investment company shares ^{4/}	2.7	1.8	1.2	1.9	.3	.5	.5	.6
(3) Other preferred and common stock.....	-2.3	-3.8	-4.1	-2.8	.4	.3	.7	-1.4
4. Private insurance and pension reserves.....	10.2	10.8	11.2	12.3	3.0	3.0	3.0	3.4
a. Insurance reserves.....	4.4	5.0	4.9	5.4	1.2	1.3	1.3	1.5
b. Insured pension reserves.....	1.4	1.4	1.7	1.8	.4	.4	.4	.5
c. Noninsured pension funds ^{5/}	4.4	4.4	4.7	5.1	1.3	1.2	1.2	1.4
5. Government insurance and pension reserves ^{6/}	1.1	3.0	4.4	5.4	.3	3.2	1.9	*
6. Increase in individuals' debts.....	14.4	19.6	23.2	22.9	2.5	7.3	5.7	7.5
a. Mortgage debt ^{7/}	11.9	13.4	15.9	16.2	3.7	4.1	4.0	4.4
b. Consumer indebtedness ^{8/}	1.5	5.0	6.3	6.5	.7	2.6	1.6	3.0
c. Securities loans ^{9/}	1.0	1.1	.9	.2	.6	.6	.1	.1
7. Net financial saving (1+2+3+4+5-6).....	15.9	21.2	22.3	29.1	7.0	7.2	8.7	6.2
8. Nonfarm homes ^{10/}	16.8	17.9	18.3	18.8	4.8	4.2	4.7	5.2
9. Construction and equipment of nonprofit institutions.....	3.3	3.5	3.7	4.1	.9	1.0	1.1	1.1
10. Consumer durable goods.....	43.7	48.4	52.1	56.9	12.6	14.2	13.1	16.9
11. Gross saving (7+8+9+10).....	79.7	91.1	96.3	108.9	25.4	26.5	27.6	29.4

* 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 associates 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 Social Security, unemployment, 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.

^{10/} Construction of one-to-four-family nonfarm dwellings.

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1960-1964
(Billions of dollars)

<u>Financial Assets</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
1. Currency and deposits.....	181.1	189.8	207.8	225.3	243.1
a. Currency and demand deposits.....	79.7	79.5	82.6	89.3	96.7
b. Time and saving deposits.....	101.4	110.3	125.2	136.0	146.4
2. Savings shares.....	66.5	75.8	85.8	97.6	108.9
3. Securities.....	504.6	607.9	572.4	649.6	729.7
a. U. S. savings bonds.....	45.6	46.4	46.9	48.0	49.0
b. Other U. S. Government <u>1</u> /.....	27.0	25.7	26.0	26.5	29.4
c. State and local government.....	31.0	32.1	32.3	33.9	35.9
d. Corporate and other <u>2</u> /.....	401.0	503.7	467.2	541.2	615.4
(1) Bonds and notes.....	21.7	21.7	22.1	21.9	22.1
(2) Investment company shares.....	22.8	31.8	29.7	34.2	38.9
(3) Other preferred and common shares.....	356.5	450.2	415.4	485.1	554.4
4. Private insurance and pension reserves.....	152.3	167.1	174.6	189.6	206.2
a. Insurance reserves.....	96.4	101.6	106.2	111.7	118.0
b. Insured pension reserves.....	18.8	20.2	21.6	23.3	25.0
c. Noninsured pension reserves.....	37.1	45.3	46.7	54.6	63.2
5. Government insurance and pension reserves.....	70.6	71.7	74.7	79.0	84.4
6. Total financial assets..... (1 through 5)	975.1	1,112.3	1,115.2	1,241.2	1,372.4
<u>Liabilities</u>					
7. Mortgage debt.....	129.7	141.6	155.0	171.0	187.2
8. Consumer debt.....	50.5	52.0	57.0	63.3	69.8
9. Securities loans.....	5.0	6.1	7.2	8.1	8.3
10. Total liabilities (7+8+9).....	185.3	199.7	219.3	242.4	265.3
Total individuals' net equity <u>3</u> / (6-10).....	789.9	912.6	895.9	998.7	1,107.1

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 individuals' saving which does not reflect revaluations in certain of the components.