THE INVESTMENT OF TRUST FUNDS

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PREFACE

Laws have been passed in several States to regulate and restrict the investment of trust funds, including savings bank deposits, which are classed as trust funds. In many of the States, however, the selection of investments is left to the trustee, except when acting under instructions of the trustor or of a court of law.

There have come to public notice recently several cases of financial loss to trustees because of the inferior kind of investments selected. This has caused it to be inferred that there are many persons who are not familiar with the precautions to be observed in selecting securities.

It is desired, therefore, to venture some suggestions to individual trustees exercising this discretionary power, which may assist in the selection of sound investments. The suggestions may also be of some value to those who are under the mistaken impression that high rates of interest accompany safe investments.

The desirable classes of securities described herein are of the standard required of securities in the laws which have been passed in these several States to restrict trust fund investments.

The book is necessarily limited in extent; but the investments recommended, and classified in the schedules, are intended to serve as a guide. These can be referred to by trustees and others, to determine whether an offered security possesses the necessary features of safety, or tends toward a speculation.

F. C. M.

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CONTENTS

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TRUST FUNDS AND TRUSTEES

TRUST FUNDS ARE MONEYS, or other forms of convertible wealth, held by one individual, company or corporation for the benefit of another.

A trust is defined as the confidence, or the obligation arising from the confidence, reposed in a person called the trustee, to whom the legal title to property is conveyed for the benefit of another, called the *cestui que trust,* that he will faithfully apply the property according to such confidence.[1]

The creator of the trust is called the trustor or settlor. The person who holds, controls and acts as general agent in the management of property, for the use and benefit of another, is called the trustee. The person for whom the property is held and who has a beneficial title or ownership and who is specified to receive the profits and proceeds of the trust is called the beneficiary, or *cestui que trust.*

The person who creates the trust has faith in

[1] *Stand. Dict.*, p. 1939.

the ability and integrity of the trustee to properly manage and invest the property. When funds are placed in the hands of an individual, in trust, the transfer originates in a feeling of confidence in the trustee's faithfulness. Especially is this true when no restrictions are placed upon the trustee in the matter of making investments. It may be noted, therefore, that in addition to the legal responsibility, there exists on the part of an individual trustee a *moral* responsibility of the highest form.

The nature of some trusts delegates to the trustee the responsibility of making investments, and his individual discretion may be exercised in allotting funds for this purpose. In fulfilling his duties in this connection more than ordinary care is expected, notwithstanding a law which requires simply the exercise of ordinary care and judgment.

Trust funds may pass under the control of a trustee while acting in the capacity of an executor, administrator or guardian. Frequently the terms of a trust specify the kind of investments to be made. In other cases a Probate, Surrogate or Orphan's Court exercises supervision of the trustee's acts in this particular.

A trustee is morally and legally required to maintain good faith toward his beneficiary and should not make use of the trust property for his own financial gain, or for the gain of anyone except the beneficiary. Nor should any advantage be taken of the beneficiary, resulting in direct or indirect loss to him.

A separate account of trust property should be kept because the mingling of trust funds with other property places a liability upon the trustee for its safety in all events. If trust funds have not been kept apart from the personal property of the trustee, and profits have been derived from the combined fund, the beneficiary is entitled to a detailed account of the profits and to his share of the earnings. In some cases the trustee has been required to pay interest for the use of the money.

A beneficiary may request a statement showing the condition of the trust and is entitled to receive the information. A court will enforce the rights of a beneficiary in this particular.

When the fund and its profits come into the possession of the trustee he should deposit the money in bank to the credit of an account in his name, as trustee. Ordinary business prudence is required in the selection of a depository. It is suggested that the trustee select one of the older and stronger banks. The bank that holds to methods that are conservative, during times of great prosperity, is one that is unimpaired during periods of financial unrest. The money may be kept in bank until a sufficient amount has accumulated to permit the making of an investment.

Funds that are not to be used immediately for the payment of the obligations of the trust, or for debts due within a short time, should be invested in order that the principal of the fund may be augmented as much as possible for the benefit of the beneficiary. For example, the law of one of the States provides that a trustee must invest money received by him under the trust as fast as he collects a sufficient amount, in such manner as to afford reasonable security and interest for the same.[1]

[1] *Civ. Code Cal.;* Sec. 2261.

A court may be appealed to for instructions and will aid the trustee in the performance of his duties. When the aid of a court is invoked to determine upon the investments to be made, the responsibility is assumed by the court and the trustee must thereafter act under its control.

A trustee who fails to place the trust fund in a position to earn an income, although it be from a desire to keep the principal intact, would be subject to censure by the proper authorities and possible removal from trusteeship because of neglect of duty. In addition to this, he would probably be required to pay interest on the trust fund because of his omission.

Trust funds do not differ from other funds in regard to their earning power. They have the same capacity for producing revenue and are not intended to remain idle and unproductive.

The earning power of money, during normal financial conditions, is variously estimated at from four to six per cent. per annum. It can be seen, then, that it is a trustee's positive duty to employ the trust fund at a fair rate of interest.

What constitutes a fair rate of interest?

What income must the trustee secure to satisfy the parties concerned and live up to his obligation? These questions can best be answered in the words of a Massachusetts judge, who says that "a trustee must look, first to the security of the trust fund, with income as a secondary consideration."

The whole matter of investments, therefore, is resolved down to safe securities. The profits from the trust fund should be gained from those investments that are classed as conservative and the rate of interest the beneficiary should receive is the rate paid by safe securities.

Without risk of endangering the principal, it is usually possible for a trustee to secure four and one-half per cent. interest on his investments. This is generally considered a fair rate and a trustee who returns his trust fund unimpaired, together with interest at the rate of four and one-half per cent. will have done his duty sufficiently and well.

Should the trustee feel that the responsibility of selecting investments is beyond his capacity, or that such duties might interfere with the management of his own affairs, he may petition the court to appoint another to act in his stead.

There has developed during recent years an institution known as the trust company, which is legally qualified to act in matters of a fiduciary character. Trust companies operate under State laws, and are required to deposit securities with the State to guarantee the faithful performance of their duties. The fees for services are regulated by law, and are the same as those allowed to an individual acting in the same capacity. They possess advantages over the individual trustee because they have a permanent place of business with regularly established hours. They are impersonal and are not incapacitated by sickness, nor is their judgment liable to be impaired. A beneficiary has the advantage of the combined judgment of the officers, who, through experience, have a special fitness to properly execute their trusts. Some of the modern trust companies are highly developed in their proficiency as trustees.

A trustee, therefore, who wishes to relinquish his position can do so without jeopardizing the interests of his beneficiary or betraying the confidence of the trustor, by petitioning for the appointment of a trust company, duly authorized by law to perform his duties.

UNDESIRABLE INVESTMENTS

Over six per cent. cannot be realized upon the best class of securities, with the possible exception of real estate mortgages. Sometimes, when there is a financial upheaval, good securities are sold at low prices and the rate of income is above this figure. Under normal conditions, however, an assorted lot of first-class securities will yield not more than four and one-half per cent. interest.

Perhaps this point can be more clearly impressed by citing the instance of the trustee who invested his trust fund in the stock of a promising concern. The beneficiary was dependent upon the income. It was a tempting investment and assurances were made by the seller that it would yield large returns. The trustee acted independently, and did not consider it necessary to consult his banker. Had he done so, he would have been cautioned to avoid the high interest promising investment in favor of a lower interest paying security. Several months passed and no returns came to hand from the investment. Finally the stock was offered for sale and, as is usual in such cases, there were no buyers. The trustee, who was a man of integrity, then assumed the investment personally, paying over the amount of the trust fund to a banker for proper investment.

It is not an infrequent occurrence for trustees to deplete trust funds and, when cited to appear to render an account, plead lack of judgment as a defense. They depend upon this to protect them in their mistakes. The courts frequently require them to make good the discrepancies and suffer the losses, notwithstanding that their intentions were good and their honesty unquestioned.

A trustee may overlook the fact that, as trustee, he is not in a position to make investments that an individual can discreetly make. When a trustee overhastily subscribes to a tempting offering he places the trust fund in jeopardy. It is well to consider the high interest paying security entirely out of the calculation. When made by individuals they usually require close attention and cause considerable uneasiness. While there is no definite rule to determine a trustee's responsibility for loss, except in those States whose laws designate the investments to be made, there is a tendency to hold him liable for losses that may accrue as a result of misjudgment.

Consider, for a moment, the risk that is taken when the fund is turned into securities, or other forms of indebtedness, promising to yield a high rate of income. High interest rates are an inducement to attract the unwary investor. They are offered by those who are unable to secure money at the prevailing rate from capitalists, who ordinarily have abundant funds for good investments. An investment that has merit is usually financed locally or through the large investment brokers, who are in touch with capital awaiting an opportunity to be safely employed.

The interest rate is the best index to the class of security. When a promise of large returns accompanies an offering, it is branded as undesirable for trust funds because it has the stamp of risk upon it.

To the trustee it is suggested that funds should not be invested in notes, secured or unsecured, mining stocks or bonds, or plantation securities. It is best to avoid stock investments entirely, as a stockholder is liable, as such, for a portion of the debts of the corporation. Real estate should not be purchased for speculation, nor should merchandise of any description. In this connection one can mention as undesirable, chattel mortgages, accounts payable, due bills, life insurance policies, unsecured debentures, unlisted securities and bonds of a non-productive or non-dividend-paying corporation.

Constructive bonds of new railways are frequently offered at favorable rates and possess advantageous features for an individual investment; but if the trustee is careful in the apportionment of his fund, he will avoid this class of bonds and confine his investments to those in concerns with an established revenue-producing capacity.

An individual can discreetly undertake some of the investments mentioned in this chapter. They do not, however, possess an underlying value, which is essential to the safety of trust money.

BANKERS AND BOND HOUSES

In nearly every community there can be found a banker of the old school, connected with a bank whose officers adhere to methods that have stood the test of time. A trustee owes it to his beneficiary to seek such a bank as the proper place in which to deposit the trust fund. Moreover, as a depositor, the trustee should feel free to confer with his banker, who, while guarded in his recommendations, can be relied upon to keep the trustee from danger points and pitfalls existing in the investment market.

There are also well known bond brokers or investment bankers, whose business has been established for a number of years, and who have a reputation for integrity among investors in general. These investment firms are often the medium through which issues of bonds are sold to banks, who desire them for investment purposes or as a secondary reserve.

For a nominal fee, the amount of which is regulated by the several stock exchanges, the detail of purchasing bonds may be turned over to an accredited investment broker. They are in a position to select investments for trustees, and will carry out clients' orders and advise with them regarding the current changes in the value of standard bonds.

It is now a well established custom for the reputable investment banker to employ a corps of experts to investigate the security contemplated for the market. The services of expert accountants, engineers and lawyers are enlisted to pass upon the legality and value of the securities under consideration to be sold by them.

In the matter of investments it is wise to proceed only upon the advice of one of these responsible banking firms. Through familiarity with securities, they are in a position to recommend investments that are proper for trustees.

Investments are frequently made by inexperienced persons in venturesome schemes and disaster is often the outcome, because they lack the necessary knowledge and possess immature judgment in these matters. There seems to be a prevailing tendency to act independent of advice when making investments. The precaution of seeking the counsel of the banker will often insure the trustee from making a mistake because there are certain well defined lines of safety, which those of experience in financial affairs can usually determine, and from which they do not depart.

INVESTMENTS IN BONDS

A part of the trust fund can safely be invested in bonds. Among investments there are none more desirable than first-mortgage bonds. About one-half of the trust fund should be apportioned to this class of security. A careful selection can be made, which will yield an income of about four and one-half per cent.

Bonds are a form of certificate issued by Governments and States. They are also issued by counties and municipalities, school and reclamation districts, public service corporations, industrial concerns and sometimes by private individuals. Bonds are an obligation to pay money and are ordinarily secured by a mortgage on some kind of property. A definite rate of interest is usually stated in the bond, and terms for the repayment of the principal are detailed.

Coupon bonds are provided with small certificates which are to be removed at stated periods. Upon presentation of the coupons at a designated place of payment the interest due on the bond is paid to bearer. Registered bonds are recorded in the owner's name, and payment of interest due is made by check to the owner's order. Another form of bond issued is registered in the owner's name, with coupons payable to bearer.

Because they are more easily transferred from one to another, coupon bonds possess a small value over registered bonds, being the more readily marketed. A registered bond is transferrable at the will of the owner, and aside from the brief delay in making the transfer, is safer to hold than a coupon bond, which is payable to bearer. Coupons and interest checks may be deposited in a bank, and immediate credit is usually given for the amount of their face value.

Bonds are ordinarily in denomination of one thousand dollars. Government Bonds are issued in larger denominations. Municipalities and others issue them in denominations as small as fifty dollars. They can be described as a piece or portion of a mortgage, distributed among many mortgagees (or bondholders,) instead of being held by one. They permit an investor to diversify his holdings, and thus guard himself against the risk of losing his entire capital in one enterprise.

Usually the interest yield on bonds ranges from two per cent. to six per cent. per annum. Bond investments possess desirable features over other investments. The risk of depreciation is offset by the possibility of an appreciation in value. Their ready sale in the market makes them desirable for trust funds that may be required for distribution from time to time. It is only upon rare occasions that high class securities cannot be converted into cash, as when, during the height of the panic in 1866, in London, there was a time when British Consols, which correspond to our Government Bonds, were not salable.

Occasionally a good purchase can be made in bonds to mature within a short time, provided the trust fund is not to be of long standing. They can sometimes be had at figures slightly better than long term bonds, which are preferred by bond brokers and syndicates, who buy up entire issues as permanent investments.

Investments in bonds should be distributed. That is, the security underlying the bond should be located in different sections of the country. It is not considered business prudence to invest the total amount of a fund in one kind of security. Its value may be lessened by local conditions. A failure of crops in one community may affect the earnings of a railroad, or the overflowing of a river destroy an electric plant. These would be calamities confined to localities, and the particular railroad securities or the electric power bonds would be liable to depreciate in value because their earning power would be reduced or cut off.

Government Bonds

Government Bonds are, of course, the safest of all investments; but they yield only meagre returns in interest. The National Bank Act created a market for Government Bonds and they have been in demand by banks requiring them as security for the issue of National Bank Notes. A one thousand dollar Government Bond selling at the rate of 120, or twelve hundred dollars, as is the case of the four per cent. of 1925, at the present writing, would yield only about two and one-half per cent. per annum.

There are other kinds of bonds yielding a higher profit, which are considered by authorities to be equally as safe as Government Bonds. So firm have some of the conservative securities established themselves that they are known in the market as "non-speculative." Some of the standard bonds fluctuate in price only slightly from year to year, and the slight difference in market value is the result of a condition of the money market and not of the security.

MUNICIPAL BONDS

The necessary features of safety are found in bonds issued by the several States and in bonds of cities, counties, towns and school districts. The reason for this is that there is an assurance that both principal and interest will be paid when due. Taxes, which are the basis of Government finance, are pledged for their payment. Municipal bonds are usually issued in strict accordance with the laws of the several

States, and are affirmatively voted upon by the tax-payers, who are collectively responsible for their payment. Municipal bonds are secured by the property of a city or town and represent the credit and good faith of the entire municipality.

The municipal bonds selected by a trustee should be those of municipalities that have issued them strictly for municipal purposes. The municipal and district bonds selected should be those of communities that have not, within five years previous to the time of making the investment, defaulted in the payment of any part of either the principal or interest thereof.

Under the provisions of an amendment to the National Banking Laws, municipal bonds of a high standard are now accepted as security for currency issued by national banks. They are also legal for trustees' investments and are acceptable as security for Government deposits with national banks.

School district, reclamation district and irrigation district bonds are good investments because they are secured by some kind of attachable property of recognized value. There is usually a certainty that the obligations will be met when they fall due. As the property owners in the district are directly benefited, they are jointly taxed, in order to provide for the payment of interest and principal. A portion of the taxes collected is set apart to retire the bonds; usually one or more each year.

For example, a town in Illinois, with a population of over seventeen thousand, has issued bonds known as Township High School Bonds. They are one thousand dollars each and the interest specified is four per cent. They sell at the rate of 101.85; which means one thousand and eighteen and a half dollars for each one thousand dollar bond. This particular high standard municipal bond yields three and eight-tenths per cent. per annum. Two bonds of the issue will be paid off annually.

The money thus secured is used for the purpose of erecting a high school. A direct tax is levied upon all taxable property in the township. It is a manufacturing center, with good transportation facilities by rail and water. The total assessed value of taxable property is over two million dollars and the total bonded indebtedness is only eighty-five thousand dollars. It is a well-governed, permanently established and growing community. Furthermore, the legality of the bond issue is certified to by experts.

These kinds of municipal bonds are considered safe investments for trustees. This is emphasized by the fact that the Government accepts them as security for emergency currency and they are legalized investments for savings banks in Maine, New Hampshire and Vermont.

RAILROAD BONDS

The bonds of some of the great railroads that have met all their obligations and paid dividends on their common stock consecutively for ten years past, are considered good. None of the States whose laws restrict investments for trust funds, prescribe a longer period than ten years as a necessary time during which the railroads shall not have defaulted in payments. This is presumed to be sufficient time to prove the worth and stability of a security.

A majority of States permit investments in railroad and street railway securities. Savings bank deposits, which are generally classed as trust funds, may be invested in them, except in five of the States. Careful inquiry should always be made by the trustee to determine the expiration of franchises, which should run for some time after the bonds become due. Railroad debentures are legalized in some States by statute. A debenture, when applied to the obligation of a railroad, is a note, sometimes secured by a deposit of bonds with a trust company; but often merely an unsecured note, intended to mature within a short time.

A recently enacted law states that trust funds in the form of savings bank deposits may be invested in the debenture stock of any railroad company owning and operating a line of railroad in whole or in part within the State; provided the said debenture stock shall bear at least four per cent. interest per annum, and shall be secured by trust deed as first lien upon said line of railroad.[1]

First-class railroad bonds are good investments because railroads have an assured income.

[1] *Rev. Stat. Minn.;* Sec. 2562.

They traverse large territory and their profits are derived from the people, who, through conditions, find it necessary to use their facilities. The great railroads are possessed of valuable property and equipment, without which the affairs of the country would be at a standstill.

The bonds of these quasi-public corporations are secured by property having a definite value, which is pledged as security for the payment of the bonds. First-class railroad bonds are convertible into cash during any business day. At the time of the recent severe financial panic there were repeated sales of good railroad bonds. While they brought lower prices, the depreciation was only of a few points.

A selection of bonds can be made to include those of one of the trunk lines, whose property is located in the densely populated sections; another in the coal and iron regions; another in the wheat producing community, known as a "Northwest Granger." A transcontinental railroad bond may be deemed desirable; and the bonds of some of the Southern railroads will be found to come up to the legal requirements of those States whose laws regulate trust fund investments.

Among safe investments in bonds can be mentioned the issue of a railroad corporation whose securities are well known on the stock exchanges. The company has paid dividends on common stock consecutively for forty-eight years. There are to be had in the market the bonds of another railroad corporation which has paid dividends on its stock for forty-three years. Others have done the same for thirty-six, thirty-five and thirty years. The first-mortgage bonds issued by corporations of the above class can be depended upon as being entirely safe for trust funds because the earning capacity of the lines is well established.

Another example of a high-class bond is an issue of a leading railway of the United States. The bonds are one thousand dollars each and run for thirty years. They are redeemable, at the option of the company, at a specified time before maturity at a figure above par; and they are a direct obligation of the company, which has paid dividends on its capital stock uninterruptedly for twenty-eight years. The bonds are listed on the stock exchanges of London, New York, Berlin and Frankfort. Their desirability can be recognized when it is stated that they are accepted by the Treasury Department of the United States from national banks as security for deposits which the Government makes with them. It is by this means that a national bank becomes a United States depository.

It can be seen, therefore, that a trustee takes no risk in placing his money in securities of this kind. With the exercise of ordinary business prudence, the chances of loss to the trustee or his beneficiary are far removed.

Public Service Corporation Bonds

Public utility corporation bonds can be purchased with trust funds, provided the securities are listed on the stock exchanges and possess the necessary qualifications of a safe investment. They should be those bonds that are issued by corporations of high standing, who own valuable franchises, such as the right to supply water, gas, or street railway transportation. These are services now considered necessary to the public welfare. As the earnings of these corporations are derived from the public at large, they are more or less stable. There is, therefore, an assured income to provide for the payment of the bonds. When these quasi-public corporations are properly managed, their service is brought up to a high standard of efficiency. If they are profitably conducted their bonds have a permanent value. When such is the condition of their securities, they are usually proper investments for trustees.

In suggesting to a trustee the purchase of only first-class bonds, it may be inferred that desirable investments cannot be made in stocks. On the contrary, there are stocks quoted on the exchanges which are exceptionally good investments. As a rule, however, when trust funds are concerned, purchases should be confined to the securities that are up to the standard required in the legislative enactments upon the subject in the several States.

SAVINGS BANK DEPOSITS

A portion of the trust fund should be invested in a savings bank deposit. About three-tenths of the fund should be placed in a bank where it will yield interest at from three and one-half to four per cent. per annum.

A savings bank can be described as an agency for the investment of small sums. At one time they were considered simply as a place for the safe keeping of money. The favorable rates of interest now paid to depositors classes a savings bank deposit as a wise and profitable kind of investment.

Rigid laws have been enacted in many of the States restricting the uses to which savings bank deposits may be employed for profit. They are generally recognized as just and expedient laws, and the result is that the element of risk in a savings bank deposit is practically eliminated. Particularly does this condition exist in those States whose savings banks have the largest amounts on deposit, and the largest number of individual accounts.

As an investment, the savings bank deposit possesses many advantages. Aside from its safety, it can be added to and withdrawn from, usually at will. It is only when the withdrawals are of large amount that notice, according to agreement, is required. This feature should not concern the trustee because he can provide for the payment of the obligations of the trust by means of another account, kept in a commercial bank.

As far as the depositor is concerned, there are ordinarily no tax payments to be made on a savings bank deposit. For this reason the rate of interest paid by the bank is a net rate and clear profit to the owner of the account. This is an important point to consider when contemplating investments upon which taxes must be paid. When the taxes are taken into consideration, the income from some investments is frequently reduced to a less amount than paid by a savings bank.

If the trust fund is of considerable amount it would be best to divide the portion set apart for this kind of investment into accounts with several banks in different localities.

REAL ESTATE MORTGAGES

In the event that the trust fund is to remain under the management of the trustee for a considerable time, about one-fifth can safely be apportioned out in real estate mortgages. That first mortgages on real estate are a satisfactory investment is demonstrated by the fact that savings banks invest the greater part of the money deposited with them in this kind of security. Some banks have found it unnecessary to foreclose a mortgage, or take over property under a deed of trust, which demonstrates the stability and value of real estate security, when properly selected.

None but first mortgages should be accepted, and a sufficient margin for depreciation should be allowed. While real estate mortgages possess the disadvantage of not being marketable, and cannot be disposed of in part or at a premium, they possess stability and safety to offset these features.

Upon appraisement by a competent judge of real estate values, it would be safe to lend up to fifty per cent. of the appraised value. After this point is carefully looked after, the title should be searched. If there are improvements on the property, insurance should be provided, with loss, if any, payable to the trustee, by means of a mortgage clause attached to the policy by the insurance company. When the mortgage has been executed and placed of record, the trustee should retain all papers and keep them in a safe deposit vault with other papers and records pertaining to the trust.

The financial standing and integrity of the borrower should be looked into when making a real estate loan. A careful inquiry into his business reputation and his ability to meet such obligations will sometimes save trouble for a trustee.

Expenses of consummating a loan of this character are usually paid by the borrower. It is now legal in some States for the borrower to pay taxes upon the mortgage. From six to seven per cent. net can be secured upon this kind of investment.

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Thus it can be seen that there are investments of a standard character, which, if selected by a trustee, will tend toward a competent management of the trust. The class of securities suggested are those that have stood the test of time, and are considered as safe as human foresight and prudence can make them.

Moreover, the trustee, in confining his investments within the line of established safety, will be enabled to fulfill his stewardship with satisfaction to himself and his beneficiary. He also will have faithfully discharged a sacred responsibility to the one who, in creating the trust, placed confidence in him.

SCHEDULE I

SAFE INVESTMENTS

The elements necessary for the safety of trust funds are possessed by only three classes of investments, viz:

1. BONDS
   (a) Government, State.
   (b) Municipal, (County, City, Town, School, District.)
   (c) Railroad.
   (d) Public Service, (Street Railway, Gas, Water, Electric.)

   Features: Minimum fluctuation in market value; fair rate of income; convertibility into cash; security of principal and interest; distribution of security; maturity at or near termination of trust.

2. SAVINGS BANK DEPOSITS

   Features: Security of principal and interest; privilege of increase or decrease of amount; convertibility into cash at or before termination of trust.

3. REAL ESTATE MORTGAGES

   Features: Stability of value; safety of principal and interest; high rate of income.

SCHEDULE II

HOW TO INVEST A TRUST FUND OF TEN THOUSAND DOLLARS

Security	Amount	Net Rate	Annual Income
SAVINGS BANK DEPOSITS Placed in two savings banks in different localities.	\$3,000	4%	\$120
REAL ESTATE MORTGAGES First Mortgages; Not over 50% of appraised value.	2,000	6½%	130
RAILROAD BONDS Northwestern Granger, Southern, Trunk Line, Coal and Iron or Transcontinental.	3,000	4%	120
MUNICIPAL BONDS County, City, Town, School, Reclamation District.	1,000	3½%	35
PUBLIC SERVICE BONDS Gas, Electric, Water, Street Railway.	1,000	4½%	45
TOTAL	\$10,000	4½%	\$450

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