CHAPTER 16

Financial Security Is Good Business

THE first pay check is one of the thrilling experiences of your life. *Your* money! The freedom to choose how you will spend that money gives you confidence that you are launched on a career. You are a business woman.

Your money! Yours to spend! You can buy the hat or purse or shoes you have dreamed about. But will you? You may find that the money you worked for takes on a new value. You may be content with the knowledge that you can buy frills and extras *if* you so desire. You have the freedom of choice. You can make the decision as to how you will spend and how you will save.

During the first year of earning your own living, the idea of independence looms large in your thinking. There also begins to grow a desire for security and, with it, the thought of savings. Most women have an inherent desire for security.

Security depends on many factors – spiritual and physical health, good friends, and, of course, adequate finances for today's and tomorrow's needs.

It has been said that "security is a state of mind." We might add that in this, *the state of the pocketbook* plays a telling role.

Perhaps you have had little experience in money management and therefore, the thought of building financial security for tomorrow is a bit appalling. Many women claim little knowledge of money affairs, real estate, stocks, bonds, and other types of investments and savings. But there are many others who have built up their financial safety by wisely budgeting their spending to cover both today's needs and tomorrow's security.

The Budget

What do you get for your money? What do you want to get? Do you ever have the alarming thought that you must have lost ten dollars because you can't imagine where it went?

Let's think of a budget as your method of spending your own money in the way that gives you the greatest satisfaction. Your budget can be very simple or very detailed, according to your wishes. You'll need records in order to make out your income tax, so why not look over the many budget books at the bookstore and select one that appeals to you? Each day put down what you spend. Keep this record for a month or so. At the end of that time, examine your record to see if you are happy with the value you received for the money you spent. Then is the time to try planned spending by setting up the ideal sum you want to or must spend for each basic item. These include rent, food, clothing, doctor and dentist, gifts, transportation, recreation, income tax, social security, savings, etc.

A budget is simply a chart of what money you are sure you will receive (salary plus other resources) and what money you are sure you must spend for your living needs. The difference, large or small, is what you can plan to save or to spend for the extra things most important to you.

For the sake of your peace of mind, you'll want to set up a fund for savings against emergencies, illness, vacations, and future security.

Don't be discouraged if that first allocation of your salary doesn't work out. You may want to make several changes in your plan of spending during the year, but you have made a start in

A budget is a chart of what you will receive and what you must spend.

a businesslike manner. Your records of spending will show what you got for your money and suggest what you can do to get *more* for your money.

Sample Form for Budget

Month:
Income:

(1) Salary: (what is left to spend)
Other:
Total: (amount you have to spend)
(Consider *take-home pay* only. This is your salary *after* deductions for income tax and social security.)

Expenditures: (essential expenses and planned spending)

(2) Rent:
Food:
Transportation:
Clothing:
Church and Charity:
(The costs of these items are fairly well established and can be watched closely.)

(3) Health:
Entertainment:
(Doctor, dentist, drug and beauty supplies — expenditures for these items can seldom be determined in advance. Provision should be made for them by setting aside a reserve fund.)

(4) Miscellaneous:
(Watch this column. If you spend too much on miscellaneous perhaps you should divide this heading so you can see what is *essential* and what is *nonessential*.)

(5) Savings:
(As your income increases, your savings should increase. At first, food and rent take the lion's share of your pay check. It will be a temptation to spend more on rent and clothing as your salary increases and to drift along with little or no addition to that *security fund*. But the older you grow the more you will realize the importance of having money at work for you. It is fun to receive interest on your savings rather than to pay interest to someone else for the use of borrowed money.)

You'll want to set up your budget so as to make daily entries and get totals for the month. If you take a few minutes each evening to keep that record up to date, you'll know *how well* you are living within your budget.

If you make a game out of this record-keeping and test your ability to set a goal and reach it, you'll find a budget doesn't take the fun out of spending, after all.

You'll get more for your money by thinking ahead when you are away from temptation. And you'll consider every impulse to spend when you know what the expense will do to your financial plan.

Would you rather have that expensive hat than more money for your vacation?

When you set up a goal or purpose for your spending, you'll learn to think through what you want. You'll live within your income and have a sense of security in that small reserve tucked away in the savings account or the insurance policy. A budget is good experience, too, for later business and family life when vital records, long-range plans, and a *cushion fund* become more important and real.

Filing System

Start some kind of a filing system for important papers. This can be a shoe box or a set of envelopes bound into a file. Or you can purchase a simple file folder which will make it easy to keep your papers shipshape. Keep receipted bills, canceled checks, the record of your social security number, insurance policies, storage ticket (for winter coat), rent contract, birth certificate, etc.

If you do not have your birth certificate, ask your parents to get it or write to the County Recorder at the court house in the county of your birth for information about getting your certificate. This may become a vital statistic in proving citizenship, age, etc. You may need it when you haven't the time to hunt for it or when your parents are no longer able to give the necessary information.

Safe-Deposit Box

If you have bonds, stock, insurance papers, and other important records, perhaps you should investigate the rental of a safe-deposit box at your bank. The cost of such protection is low for the security it gives you. And you won't have to worry about the loss of your most valuable papers through fire or theft. As a business woman, you should learn to use business methods for your personal affairs, just as you do for your business affairs.

Bank Account

One of the problems of the beginner is the decision as to the best way to pay bills and to keep money available without danger of losing it or having it stolen. Your first thought will be to open a bank account. Be sure to select a bank that has government protection on deposits. Investigate the required balance and the service charge at different banks. Ask, also, about the check-writing plan by which a definite charge is made per check. Then see if you can limit your checks to the minimum so as to use the fee-per-check service which is a low-cost plan. Inquire, too, about the plan by which a checkbook of a specified number of checks may be purchased for a specified sum which pays the service charge. This is a popular plan with many young women.

Perhaps you will find that a cash basis is the best. You could use a safe-deposit box for extra cash and pay out-of-town bills by a cashier's check or draft from the bank, or by a money order obtained from the post office. If you pay in cash, be sure to keep the receipted bills.

If you decide on a checking account, a teller in the new-account department of your local bank will aid you in starting one. You'll be asked to fill out an identification card and give references. Fill out a deposit slip as directed on the forms and take your money and the slip to a teller's window where deposits are handled. The teller will record your deposit in a pass book and give you a checkbook. If ever you do not have your pass book with you when you deposit money, always make out a duplicate deposit slip to keep for your record.

You can send your money to the bank if you are paid by check. Write on the back of the check your signature and "For deposit only at (name of bank)." Fill out duplicate deposit slips and mail them with your check to the bank. The bank will return one to you for your record of the deposit. However, most banks have special forms for mail service which they supply upon request.

Use a checkbook correctly. Be sure each check is made out correctly and each stub is filled in at once. Avoid writing a check for less than $1.00 In order to be certain of your exact balance at all times, deduct each withdrawal from your deposit. Do not overdraw your account. The bank will likely refuse payment of the check and make a charge for doing so.

If you lose a check made out by someone else, notify that person. If one of your own checks is lost, notify the bank to stop payment on that check, then issue a duplicate. The original can be endorsed and cashed by the wrong person only by forging the signature, of course, and would not be honored by your bank when presented against your account.

When you receive a check, do not endorse it until you are at the office where you can cash it. Then write your name (in ink) on the back *just as it appears* on the face of the check.

Ask to have your canceled checks mailed to you each month. Then take time to compare each check with its stub, where you have recorded the amount and the name of the receiver.

Be sure your book balance agrees with the bank's statement of your balance. Are any checks still out? Did you deduct the bank's service charge from your balance? If, after rechecking your figures, your balance does not agree with the bank statement, go to the bank and ask for the bookkeeping department. Someone there will recheck your balance with the bank records.

Sending Money

Of course, you wouldn't risk sending currency in a letter. It is far from safe and you have no receipt or proof of your payment.

If you have a bank account, you can send a personal check out of town. But there may be a delay in the out-of-town bank honoring your check until it is advised by your bank that you have on deposit sufficient funds to cover the specified amount. If time is important, you can have your bank *certify the check* by having stamped across it a guarantee of payment. When this is done, the bank in effect withdraws the amount of the check from your account and holds it until payment is demanded. There is a charge for their service.

If you do not have a bank account, you can give the cash to a bank and ask to have a *cashier's check* or *bank draft* drawn for the sum and made payable to the receiver. There is a small charge for this service. The canceled check is returned to the bank, not to you.

A *postal money order* is another safe way to send money. At a post office you can fill out an application blank stating the name of the receiver, the address, and the sum of money. The postal clerk will make out the money order for you; you keep the receipt and send the money order. There is a small charge, and these orders are limited to a maximum of $100.00. If the order is lost, you may have a duplicate made out by presenting your receipt at the post office. The receiver may endorse and cash the postal money order at his post office, or in most cities at his bank, if he wishes.

The fastest way to send money is by *telegraph*. You may go to a telegraph office, make out the money order form stating the sum of money, the name and address of the receiver, and your name and address. The fee for this service at the telegraph office is higher than for any other form of sending money, and you must pay also for a telegram to the receiver. The receiver must take the telegram and proper identification to the telegraph office to collect the money. This service is fast and effective in time of emergency.

Credit

Charge accounts, installment buying, and borrowing money are types of credit which you may establish if you understand that you are using someone's money and must pay for this service.

When you pay *cash* for your purchases, you can shop around and get the best buy. You are apt to weigh the real need, too, when you take money out of your purse to buy goods. Cash transactions allow you to determine at a glance your balance or cash reserve.

If you establish a *charge account,* you must give references from stores where you have had credit formerly, your place of employment, your bank, and, perhaps, someone who has an account at the store. The advantages of a charge account include: the establishment of your credit rating in an inter-store credit system; easier return of goods; less need of carrying a large amount of cash; and better service in terms of advance notice of sales.

If a charge account leads you to unwise buying, it is a costly service. A large monthly bill may prove that cash-and-carry is a safer system.

Installment buying has become an accepted method of spreading the payment of a large purchase over several months. This may be a Deferred Payment Plan, Budget Plan, Thrift Plan, etc.

Whatever the plan, read the contract before you sign it. Know how much this credit is costing you. Figure out how much you must pay for each dollar of credit you receive. Take time to read the *entire* contract. You can be sure the merchant reads every contract he signs. Beware of any seller who tries to rush you into signing before you have time to study the contract. If you question the charge that is asked for the deferred payment, shop around and find out what another store charges for a similar service.

Is it worth the extra cost? Will this debt make you save money to pay up the bill? Will the article you buy be worn out before it is paid for? Remember when you sign a *promise-to-pay* contract, you are taking a bite out of your future pay checks. If you must buy something on an installment plan, make as large a down payment as possible and pay up the debt quickly to save extra interest payments.

There may come a time when you have to borrow money. Most business is run on some borrowed money. But the borrower must weigh the profit made on the money or the need for the money against the price paid for use of the money.

If you must borrow money, be sure to go to a legitimate lender such as your company's credit union, an employee's loan association, a bank, a legalized loan company, or your insurance company.

There are state laws which limit the rate of interest charged on personal loans. But there may be considerable difference in interest rates among different lending organizations.

Usually, the company credit union gives the employees the benefit of cooperative financing. Thus the rate in some cases may

If a charge account leads you to unwise buying . . .

be lower by comparison than the rates on outside borrowing. Additionally, of course, you may be able to set up some special repayment arrangements if necessary. A bank may charge 6 to 10% interest and require some security. Commercial loan companies charge up to 3% or more each month on the unpaid balance. At 3% the rate amounts to a theoretical 36% a year! If you have a life insurance policy, you may be able to borrow a specified amount against your policy, and the rate of interest is worth your investigation.

If you do borrow money, be sure the need is important enough to pay a premium for the use of the borrowed money. Know exactly how much this money costs you, the penalty for failure to make regular return payments, and the state laws governing the lending company's operation.

Is it worth that much to you? Can you afford to borrow? Wouldn't it be better business to start a savings account so you'll have an emergency fund to use? Then you can borrow money from yourself and pay it back into your savings account at the same rate of interest you'd be required to pay a loan company. Try it. You'll see that it is hard to pay interest on borrowed money, but that it is better to pay yourself than someone else.

Save To Spend

If you think of savings as *saving to spend,* you'll have more fun tucking a bit away each payday. Saving for the sake of hoarding doesn't appeal to most of us. Saving for future spending may mean next month, next year, or in twenty years, but you have a purpose for putting money aside which makes it easier to save.

If you are a good saver, you may be able to put aside 10 to 15% of your pay check. If you have heavy financial responsibilities or if you have weak will power when it comes to passing up the spur-of-the-moment impulse to spend, your savings may be too small for that vacation, insurance policy, dental bill, or long-range savings plan.

Not tomorrow but *today,* start to save for a definite purpose. If you really want something, you'll find it is easier to save to satisfy that want.

Let's say, then, that 85 to 90% of your today's earnings go for today's living. That leaves 10 to 15% for savings and investment.

You'll find that the safe and sure savings systems pay low interest rates. These are postal savings, savings accounts, and government bonds. Good quality corporate bonds likewise pay low rates of interest. However, there are available today common stocks of many financially strong companies that pay dividends to yield 5 to 6%. Such stocks are considered reasonably sound investments, while being subject to day-to-day fluctuations in market price. Any stock or bond that pays a phenomenally high interest rate is generally subject to greater market risks (which you must be prepared to take if you invest your savings in an attempt to follow a get-rich-quick plan).

Whether you save a small or large amount, you should determine how your money can work best for you to return the most with the security you must have.

Income Tax

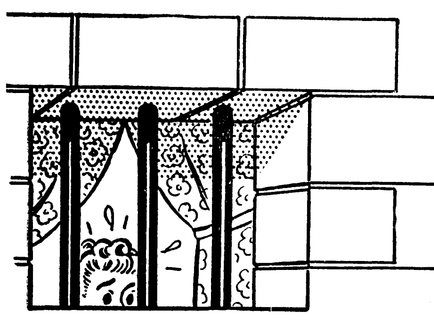
"In this world, nothing is certain but death and taxes." So wrote Benjamin Franklin. It is true that everyone who earns money or spends it pays some form of tax.

Probably your very first pay check will be whittled down by a payment on your income tax as well as on your social security. The one is forced investment in this country, the other is forced investment in your future security.

In most business positions your company is authorized by the government to take a predetermined amount from each employee's pay check to pay for these two forms of security.

The rate or percentage of your salary that goes into income tax changes in accordance with the terms of the tax laws passed by Congress. You should know the current law so that you pay your share but no more. For beginning salaries, the tax return form is very simple. If you have outside sources of income, the tax form becomes more complicated.

It pays to consult a tax expert in your company or at the tax collector's office if there is any doubt about filing your income tax return. It is foolish to overpay, but there is a penalty for underpayment.



It pays to consult a tax expert if there is any doubt . . .

Social Security

Federal Old-Age and Survivors Insurance benefits are known as Social Security. In most kinds of work in business, you will come under this savings plan. Deductions will be made from your salary at a prescribed rate. You can get a copy of this act and the benefits to which you will be entitled from your company's payroll department or by writing to the Social Security Office in your city.

When you start to work you will be required to register for Social Security and you will receive an identification card and number. Keep the card and write your number in your record book. You must use this number in reporting your income tax and for reference in making any future employment contracts.

Social Security is a government-controlled savings plan by which the employer and each employee contribute an equal percentage based on the individual's salary up to $3,600 a year. The employee generally pays his share through periodic payroll deductions. The original bill provided 1½% deductions through 1953, with slight increases possible later.

These benefits are of two kinds, retirement benefits and survivor benefits. The *retirement benefits* represent a monthly payment or annuity to you at the age of sixty-five. Your benefits at that time will depend on several factors, such as, rates of contribution, length of employment, etc. However, this monthly insurance payment is likely to be a relatively small sum which will help, but not satisfy, your desire for security upon retirement.

Pension

If you continue to work to retirement age, you may be entitled to another form of security — the *company pension.* More and more, current thinking seems to be that some form of payment to the worker who is retired at a certain age is part of the normal cost of business. The various types of this deferred compensation, to provide protection in old age, are the pension, the sharing of profits, stock bonuses, or insurance, according to the policy of the company. These benefits which private industry grants to employees may be provided entirely by the company or cooperatively by company and employees.

Looking Ahead

It may be that even if you receive the maximum social security benefits and a liberal company pension, the combined sum will not be adequate enough to make you economically independent at the time of retirement. It therefore becomes important to consider a program which can make your retirement income adequate for your needs.

Perhaps the thought of retirement at age sixty-five seems too remote for consideration. But the years fly by, and few of us can foresee what lies ahead.

Whether you *save to spend* or save for old-age security, it is never too early to set up a plan for spending and a plan for a nest egg.

Savings Account

Your budget is your plan for spending and saving your *take home* pay. Whatever your pay check, you'll feel more secure and more like a business woman if you have a savings account and deposit a definite sum in the account each payday. It will be fun to see your savings grow.

If your company has an Employees Credit Union, you may find this the most convenient place to open an account, or you may want to go to the same bank where you have a checking account and safe-deposit box.

Go to the savings account window and ask to open an account. You will be given a signature card to fill out as in the case of a checking account. Be sure to use the same signature for all records. Avoid nicknames. Fill out a deposit slip for savings and hand this with your money to the person at the savings account window. Have the amount recorded in your *pass book* or bank book. Take your pass book with you every time you make a deposit or withdrawal.

Most banks do not require an advance notice for a withdrawal, as a matter of practice, although they can legally do so. Just make out a savings withdrawal slip and hand this into the savings window with your pass book.

Be sure you know what interest you will receive and when this will be recorded in your pass book. The rate of interest on a savings account is low, 1½ to 2%, but most banks insure individual deposits up to a maximum of $10,000, through an agency of the federal government. You may deposit as little as a dollar at a time or as much as you can spare from current spending. This makes a saving account a made-to-order way for you to build up a comfortable reserve.

U. S. Government Bonds

Your company may have a salary deduction plan by which you sign an agreement to have a certain amount deducted from each paycheck and applied toward the purchase of government savings bonds. You designate the amount of the deduction and the size of the bond you wish to buy. This is a rather painless way to save because you can designate the amount to be withheld and you don't have the chance to spend it.

Government savings bonds may be purchased also at any bank or post office and you can redeem them without notice. They are the safest kind of investment, but the interest rate is low. If you cash a bond before the maturity date you do not get the full rate of interest. The *E* bond is the most popular bond for the small investor. This pays 3% interest if the bond is carried until maturity in 9⅔ years. You need not pay any tax on income from these bonds until you cash them or until you redeem them at maturity.

Keep a record of each bond by number, maturity value, and the date at which it matures. Keep your bonds in your safe-deposit box. If you should lose a bond, ask at the bond department in your company, a bank, or a post office for instructions on filling out the required report to recover the value of the bond or to secure a substitute bond.

Insurance

Insurance is a plan by which a large number of people pool their money for mutual protection against various risks and contingencies. The loss suffered by one person will be spread over the entire group. The cost of any type of insurance is figured mathematically on the probable risk involved, and rates are fairly uniform in different companies for the same type of insurance.

As a beginner, get advice from an experienced person on the best insurance companies. You may wish to talk to representatives of two or three companies before finally deciding upon an insurance plan that suits your needs.

Don't overbuy insurance, but get the protection and planned investment that is best for you.

Property Protection Insurance

You may want protection against property loss by fire and theft. The rate on fire insurance is determined by location and the amount of protection needed. Consider the value of your clothes and other belongings to see if you can afford to risk destruction of them without protection. You may want to insure a fur coat or rings against theft and, if you travel much, you may need additional protection against loss of baggage and other property.

Accident and Health Insurance

You may decide to buy group insurance in your company or you may prefer to buy accident and health insurance from a company which specializes in this type of policy.

Read the policy before you sign the agreement and know what the penalty is for nonpayment of premiums.

Fire, theft, and accident and health insurance usually is sold at a rather low rate. This may tempt you to buy more than you can afford unless you study your budget and determine the amount of money you can spend for this kind of protection.

Protection and Investment Insurance

When your budget is in good working order and you begin to see the pattern of your financial affairs, it's time to consider what kind of personal insurance you need and what you can afford.

Now's the time to talk to a representative of a reliable insurance company to help you decide what you should buy. Don't let the insurance *lingo* confuse you. Different companies may have slightly different clauses or modifications in their policies but, actually, there are just five major types of life insurance.

Do you want protection or investment? If you have dependents, you will want the insurance that leaves money for them in case of your death. This is a *protection.* While you are working you may find you can afford to buy a policy that will pay you cash later in your life. This is an *investment.*

In the case of life policies, the younger you are when you take out the insurance, the lower the rate for the service.

Here is a condensed summary of the five kinds of life insurance showing which kind gives the most protection and which has more investment value:

Term Insurance is protection for others because a cash payment is made in case of your death within the term. The term may be one, five, ten, or even twenty years during a period of stress or special responsibility to dependents. This policy does not have savings or investment features but at the end of the term you can convert or change to another kind of insurance. The rate remains the same during the term of the policy, but if you renew it, the new rate is based on your increased age. This term insurance seldom builds up a loan or cash value. Therefore, this is a protection insurance, not an investment policy. The cost of this insurance is generally cheaper than other kinds which provide some investment benefits and cash surrender values.

Ordinary Life Insurance (straight insurance) is protection for the person you designate to receive the face value of the policy in case of your death. This is protection for a lifetime rather than for a limited period. The premiums must be paid as long as you live. The rate is low and the younger you are when you buy the policy, the lower the rate. This type of insurance builds up a cash value and you may borrow a certain amount against the policy, according to a table of values.

Limited Payment Insurance has protection and investment value. This insurance allows you to pay higher rates for your life insurance during your productive years to pay up the entire cost. Then you have this protection for your lifetime without further payments. The face value of the policy is payable only at your death. The cash value of this policy is larger because the premiums are higher.

Endowment Insurance is very popular for business women because this is a form of savings and investment. The 20-year policy is favored because the rate is reasonable and a 20-year period for making payments goes quickly when you are working.

If you decide to buy an endowment policy you can select the sum you wish to have after a certain period, say 20 or 30 years. The larger the sum and the shorter the period for payments, the higher is each premium. The older you are, the higher is the rate for each premium, too. If you are just beginning to work, inquire into an endowment policy to see if this isn't a good way to help you save.

When the endowment policy is due, you can take the surrender value as cash or as a guaranteed life income, or you can leave it with the company on interest. Read the clauses in the policy that list the choice of settlements, but you don't have to decide on the plan until the policy is paid up.

A Life Annuity is another popular investment policy for a business woman. In this plan you pay a lump sum or regular payments to be invested by the insurance company for a certain number of years so that at a designated age you will receive an income for life. An annuity policy is popular because it provides an assured income after retirement.

You may decide you must carry protection insurance (term or life) while you have dependents, then *convert* or change the invested money to an annuity insurance to take care of yourself in later years.

There, briefly, is the insurance picture. But there are many clauses and extra provisions on each policy which are important to you.

Be sure you know what you buy.

What is the loan value?

What is the cash surrender value?

What is the penalty for lapse of payment?

What must you pay and when?

How much can you save by making annual instead of quarterly payments?

Are there dividends as in participating or mutual companies? Can you take these in cash, apply them toward more insurance, or apply the dividend toward an insurance payment?

Is there a *double indemnity* clause? (This means double payment for accidental death.)

What exceptions are there?

We live in an era of high taxes and rather low investment yields. Most women retire at sixty or sixty-five, and all desire economic security and independence after retirement. Whether you are married or single, the thought of later life and what it holds for you looms larger and larger with each succeeding year. We all want to be assured that we will have an income at the time it is needed, and we want to provide that income with a minimum of outlay and with the maximum of safety. With high income taxes, you may have difficulty building up sufficient capital to make investments in real estate, stocks, bonds, and other securities. Perhaps for you, the safest plan is to consider an investment type of insurance in the form of endowment or annuity policies.

The larger your savings, the more you can diversify your investments. You'll be wise to have a speaking acquaintance with several kinds of investments so that you can select different types.

Stocks and Bonds

Since most of us like to dream a bit about our future, suppose you jot down what you hope to be earning ten years from now and how much you hope to have saved. Now write down what you are earning today and how much you are saving. If you have been working for several years you might write down, also, your beginning salary and your percentage of savings. Now see how your present rate of savings compares with what you expect to have in ten years. Is it a discouraging picture? It probably is unless you have started a systematic savings program. It is so easy to put off until tomorrow what you should do today.

Your first set-aside probably will be a savings account, then some government bonds, and, of course, some protective insurance.

What exceptions are there?

A look at the balance in your budget will show how thrifty you are. Perhaps you are saving all you can or perhaps you find there are loopholes in your spending so that you aren't making the best use of the money you spend. You'll have to decide how thrifty you want to be.

Surely it is not good business to owe money and pay someone a higher rate of interest than you receive on the money you have in a savings account. This means that if you have borrowed money, the soundest plan is to pay your debt as soon as possible so you don't have to pay that interest.

Now let's suppose that your budget is in good balance and your savings account shows you can withdraw $100 or so to invest in some way to earn for you a higher rate of interest. Perhaps you are ready to consider investing that $100 in bonds or stocks of some corporation or municipality.

You understand that when you buy a government bond you are lending money to the government on the promise of a definite percentage of interest on your money. Do you understand that cities and corporations also sell bonds to raise money and that they pay interest to the persons who buy them?

Have you ever tried to read the report of the New York stock transactions in the daily paper? It's worth trying. And it becomes most interesting when you own some stock and can watch the daily sales and the rise (and fall) in the daily price of *your* stock.

Perhaps your company needs money to finance expansion of the business or a building program. The officers of the company may decide to sell bonds or stocks to the public. The company officials must make out a formal request with the required information for the Securities and Exchange Commission (SEC). If the company's request is granted, the stocks or bonds are put up for sale. You and hundreds of others will have a chance to lend money to the company or to invest in its stock with the aim of putting your money to work for you.

First you must have confidence in the financial soundness of your company, the wisdom of the officers, and the future growth of its business. Then you will want to weigh the price you will have to pay for the stock or bonds against the income you will receive to see if it makes them reasonably good and attractive investments.

Buying an interest in your company will give you an added reason for knowing more about your company and working to contribute to its success.

What of stocks and bonds of other companies? This is where you need the advice of an expert, whether he is in your company or in a good investment company. Just as you go to a doctor when you are ill, or to a lawyer when you need legal advice, so you should consult a broker with a reputable investment company for advice on investing your money.

Your broker will want to know your financial plan and how much you want to invest. He will ask if you want safe investments, income investments, or if you are willing to take a risk on the growth of some new industry which may bring you high future returns, or nothing. He will then discuss the income you can expect from various bonds and stock.

Let's stop a bit to consider just what are bonds and how do they differ from stock.

Bonds

Bonds generally are the most stable and *safest* of all securities. If you buy a bond issued by a corporation, you lend your money and get a pledge or contract from the company to pay you a definite rate of interest until the maturity date of the bond. At maturity, the par value of the bond will be paid you. If the company fails, the bondholders must be paid the debt owed them before any money is paid to the stockholders.

Corporations, states, and cities, as well as the government, sell bonds to raise money. Securing funds through the sale of bonds is recognized as an established business procedure.

A bond usually carries a series of coupons for the promised interest at definite payment dates. If the interest is 3%, then on a $100 bond you will *clip* a coupon worth $1.50 at two specified dates each year, normally at six-month intervals. Any bank will cash the coupons for you.

Stock

If you buy a share of stock in a company you become a part owner of that company. Some companies, such as United States Steel and American Telephone and Telegraph, have "millions of shares of stock and hundreds of thousands of stockholders or owners."

What return do you receive on *common stock*? That depends on how much the company earns. Each year the company's board of directors decides what dividends will be paid and when. If you are a stockholder, you and other stockholders elect the directors for a definite term. Thus you can play a part in deciding who shall direct the affairs of the company. If the company is on a sound financial basis, the directors (*your* directors) usually will declare a dividend on each share of stock. If business has been very good and profits have been larger than usual, an extra dividend may be declared. In this way a company divides the profits among the shareholders. The larger the dividend payment, the more attractive the stock may become to some investors. You would naturally prefer to invest in stock that pays a steady dividend year afer year rather than one that pays a more spectacular dividend one year and a small one or none the next. An investment broker whose business depends in part on his knowledge of individual company positions can advise you as to which stocks are sound or steady and which stocks are variable and insecure.

Sometimes a company issues *preferred stock*. This differs from common stock in that the dividend is fixed so that you receive a steady income from preferred stock, just as you do from bonds. This means, however, that you do not get the advantage of a good business year in terms of a larger dividend. Those preferred stocks which have cumulative dividend requirements are usually *safer* than common stocks because you don't assume the risk of declining profits of the company.

Questions

What determines the price of bonds? The corporation and the market set the orginal unit price based upon the par value and the interest rate. The value or selling price at any particular time depends on the demand for the bonds and the amount the buyers are willing to pay for them in relation to the general level of interest rates.

What determines the price of stocks? The price originally may be $1, $10, $15, $100, or more, depending upon the anticipated rate of return based upon prospective dividend payments. The price of each share fluctuates from day to day with the *market,* that is, how much the sellers are willing to take for their shares and how much the buyers are willing to pay for them.

Who can buy stock? Anyone. You may buy one share or as many as you can afford. You may buy shares in several companies. In fact, your broker probably will advise you to diversify your investment among industries as well as companies within an industry.

What does it cost to buy stock? You pay the price at which the stock is selling, plus a small commission. This charge is standard. It is established by agreement of all member firms of the Stock Exchange so you know the charge before you buy the stock. Stocks that are not sold through the Stock Exchange are subject to state regulations, also.

Are stock brokers licensed? Yes.

Do you want to invest in stocks and bonds? The decision is yours, but a good investment broker will advise you to get your money affairs in order. Look to a savings account for the cushion against emergencies. Think of insurance as protection and investment. Property ownership may be wise if your position is secure and stabilized. After you have taken care of these *safety* investments, you may want to consider the relative safety of bonds or the income features of stocks.

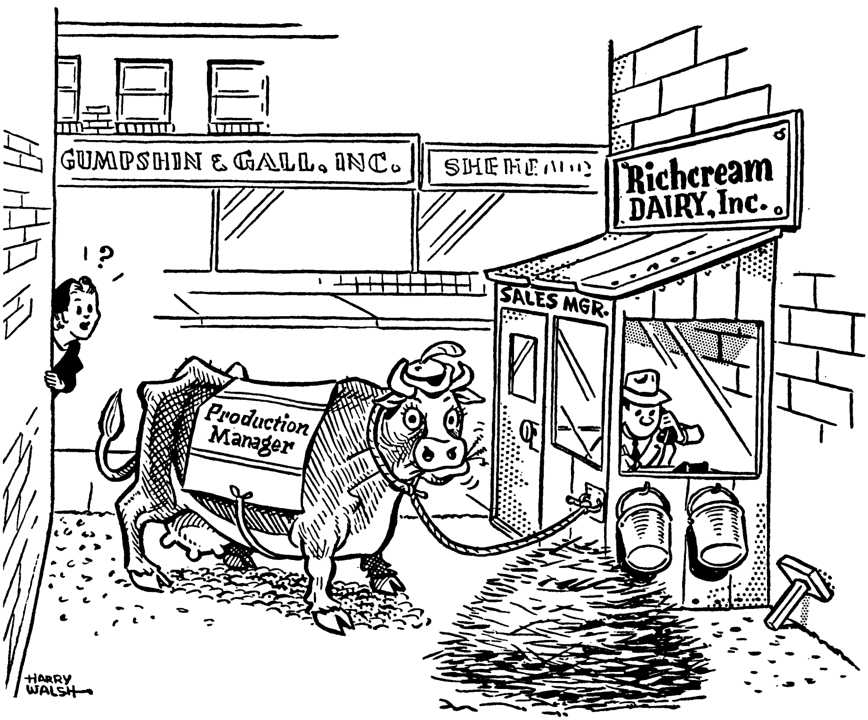
It has been said that too many women cling to security and fail to investigate the ways to make their savings earn the best returns. As a business woman you should welcome every opportunity to understand how business is financed and

The price fluctuates from day to day . . .

how money makes money. Many women are good managers. Are you?

What do you want out of life? Now is the time to set your standards and decide where you are going. You'll have to develop a sense of values and be a good buyer. Now is the time to set up a plan for saving:

Save regularly.
Keep careful records so you know how you spend.
Use your savings *first* for security, *next* for investment.
Get expert advice.
Investigate before you invest.
Avoid speculative investments.



Investigate before you invest.