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THE I.O.F.'S INVESTMENT POLICY

When the officials and members of the Independent Order of Foresters have finished congratulating each other on the fact that they have at length passed plans for putting the Order upon a reasonably secure footing, they might do worse than look into the Order's investment policy. There are some quite interesting facts connected therewith, to which their attention may quite profitably be devoted.

In the newly-issued Volume IV. of the New York Insurance Report covering the business of last year, the position of the Order, as at December 31, 1912, is clearly set forth. There we find that among the ledger assets book value of real estate is put down at $979,547.18. The only return from this investment of nearly a million dollars that is shown in the report is rents, $8,871.20--gross receipts evidently. According to the Canadian blue book, the value of the Temple building, less amounts written off, was at December 31, 1911, $778,643.96, the wide difference between this and the New York figures resulting from the fact that also included in the Order's real estate holdings are Rainbow Sanatorium, $57,500 and Forester's island, $125,620. Net rents *re* Temple, less expenses for 1911, are put down at $5,294.06. So that both in 1911 and 1912 apparently, excluding the properties held for philanthropic purposes, the return secured by the Order on its real estate holdings was something well under one per cent. Does the Order say that the Temple premises are worth to it as tenant such a rental as would be required to bring this extremely nominal return up to anything like a reasonable figure?

The Order has a very large number of members in the United States, and it is only natural, therefore, that a considerable part of its investments should be found in that country. But bearing in mind the numerous opportunities for safe and profitable investment which Canada is said on quite good authority to possess, a little surprise may be expressed that the authorities of the Order in their hunt for safe and remunerative investments should have so often found exactly what they wanted on the other side of the border, rather than on this. For instance, there is in the New York report a schedule of bonds and stocks owned amounting at book value to $8,112,660. More than 50 per cent. of this amount is represented by the bonds of a railway and power company in Georgia, whose book value is $2,720,000 and by the bonds of an electric railway in Michigan whose book value is $1,586,100. These may be admirable investments of their kind, but is the Order justified in placing such a large proportion of its funds in two undertakings?

A considerable part of the Order's funds are invested for it by a Trust Company in Toronto. The Order makes deposits with the Trust Company and the Trust Company guarantees the repayment of these deposits and pays interest thereon at the rate of 4 per cent. per annum. Apparently as a recompense for making the guarantee, the Trust Company secures the difference between what it makes the Order's money earn in various investments which are duly set out in the New York report for last year and the 4 per cent. which it pays to the Order. The Order in turn owns a big block—nearly 2,000 shares—of the stock of the Trust Company, and also has made quite substantial loans with other shares of the same Trust Company as collateral. The relations between the Order and the Trust Company seem quite intimate.

Are the officials and members of the Order satisfied that each of the securities set out in the New York report as having been purchased by the Order on its own behalf—that is apart from the investments made by the Trust Company on the Order's behalf—are of such a character as to justify large amounts of trust funds being invested in them? If they are, well and good, but we should recommend a very thorough investigation before they answer too confidently in the affirmative. Life insurance funds are essentially trust funds and if any distinction at all is to be drawn we should say that the officials of fraternal societies like the Foresters should be even more careful in their investments than the stock life insurance companies. The latter have got their shareholders to think about and fall back on, while the officials of fraternal orders are able to give their undivided attention to living up to the beautiful and admirable sentiments which flow so readily when the subject of fraternalism comes up. The plea that they have to take ordinary business risks won't do; they are not entitled to take those risks with funds which morally if not legally are trust funds simply and wholly.