Dollars and Cents

Financial News and Views. Intricate Financial Matters discussed in language that anyone can understand.

BANKING ∴ INSURANCE ∴ FINANCE

A True Fable

Once upon a time there was a merchant whose name was P. Rocrastinate. In the town where P. Rocrastinate lived there was another man named N. Agent. Mr. Agent tried for many years to get P. Rocrastinate to buy some fire insurance and finally persuaded him to insure his store and its contents against fire. The insurance taken amounted to $2,000 on the building, and $5,000 on the stock. Every year P. Rocrastinate renewed the policies, and every year he was too busy to listen to N. Agent who said he had something important to tell him. Last week the store was burnt down, everything went up in smoke, including the insurance policies. P. Rocrastinate did not worry very much for he was insured. He remembered that in 1914 he had insured the store and the stock for as much as N. Agent would take, and he remembered that N. Agent had copies of the policies, so that it didn't matter whether his copies were burnt up or not. But when he started to figure up he remembered a few things that he had previously forgotten. His store would have to be rebuilt. A store just like the old one would cost him $5,000, the builder says. He will have to get a new stock of goods. Just the same quantity and quality of goods as he had in 1914 will cost him $12,000. He forgot that he should have insured his store and stock for the full value at 1920 prices instead of leaving the policies on the 1914 basis, and incidentally he lost $10,000 because he forgot.

Moral—Check over your fire insurance policies and insure your property, not for what it cost to buy it, but for what it will cost to buy some more like it.

Rural Credits

The Norris Government in Manitoba has made many steps forward since it took office. It has given particular attention to the financial needs of the farmer. The Manitoba Farm Loans act, and the Manitoba Rural Credits act, are each steps in the right direction, and the government has earned credit for its painstaking efforts to secure adequate and reasonable credit facilities for the farmer. We are all agreed that agriculture is the basic industry in Western Canada. In consequence, all the people of Western Canada are materially interested in the welfare of the farmer. The farmer must be able to get cheap and sufficient credit, otherwise the whole industrial fabric of the country is adversely affected and production is retarded. The Manitoba Government has made a genuine effort to supply the farmer with cheap mortgage money through the work of the Manitoba Farm Loans Association, and with short term credits through the facilities made available by the Rural Credits act.

The government has been criticized at times in connection with these two schemes, the farm loans, and the rural credits, but it is worth noting that in no instance has the principle embodied in the schemes been attacked. It has always been the administration of the acts which have been attacked. Even the critics agree that the schemes are good ones but they find fault with the manner in which they are handled.

Rural Credits Controversy

It will be remembered that the banks charged the rural credit societies 6%, and the rural credit societies charged their members 7% on loans granted. The difference of 1% is kept by the societies to defray expenses. This was the arrangement last year, and it was understood, until a few weeks ago, that similar arrangements would be made this year. Then the bombshell fell in the rural credit camp. The banks decided that they would loan no more money to rural credit societies at 6%, for they claimed that this low rate was not sufficient. They suggested 6½% as a compromise, although they submitted that 7% was really the rate which should be paid. The Manitoba Government could not see its way to accept the proposal and the provincial treasurer, Hon. Edward Brown, made a hurried trip to Eastern Canada to interview the executive officials of the chartered banks. Upon his return the provincial treasurer issued the following statement:

Official Statement

"After discussing the matter from every angle, and after informing the Bankers' Association of the government's viewpoint, it was agreed that the banks would continue to lend money to the Rural Credit Societies during the current season at the old rate already established at 6 per cent. and under the old relations, on the understanding that an announcement would be made that at the next session of the legislature, if present financial conditions obtain, that the act would be amended increasing the rate. On my return I consulted the other members of the government in council and following that we have consulted with our supporters in the house. The situation was outlined and agreed to.

"It is understood that before the legislature meets again there will be a convention of the Rural Credits Societies when this matter will be fully discussed, and in view of the abnormal conditions, which it is expected will be more acute a year from now, it is anticipated that the commonsense of the directors of these societies will suggest that the rate of interest should be increased."

Banks Are Sympathetic

The banks have been criticized for wishing to charge a higher rate but the provincial treasurer pointed out, when reporting to the legislature, that he found the banks sympathetic to the rural credit society movement, particularly in the backward portions of the province where they are assisting needy settlers. During the conferences, which Hon. Edward Brown had with the bankers, they suggested that the administration of the act could be improved. Two main proposals were made, first: that a maximum loan to any farmer should not exceed $2,500: second: that in the older portions of the province where the district is served by a number of banks, and where they think that the needs of the district are fully served, that it is a mistake to establish rural credit societies. The provincial treasurer stated that these proposals would receive the careful consideration of the government.

WHY SHOULD I EMPLOY A TRUST COMPANY?

A letter reached us recently, written by a young widow. The death of the bread-winner of the family left this young woman with a small family and a moderate sum of money with which to face the future. Not being versed in financial matters, our correspondent sought the advice of the bank manager with whom her deceased husband did his business. The bank manager advised her to place her funds with a trust company for investment and she now asks us "Why should I employ a trust company?"

In answer to this question we must point out that our correspondent has very wisely admitted that she needs financial advice. This means that she understands that her money should be properly invested so as to earn the highest rate of interest consistent with safety. She realizes that the term "investment" covers a multitude of money destroyers and she is evidently desirous of separating the good investments from the bad ones before she ventures into the financial world with her money. A trust company is an institution whose business is largely made up of minding other people's business. All reputable trust companies have many different departments handling many different

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