MONEY AND MAGNATES

SANE INVESTMENTS

Attractions of a Good Bond

AMONG the securities offered to the investor, bonds are generally considered to give a good yield on capital invested together with the element of safety. While many readers of the COURIER hold bonds, there are others who are considering the investment of money in such securities, rather than in those exposed in previous articles. First, therefore, we must obtain a clear understanding of the value and function of a bond. It is a certificate of obligation usually issued by a corporation to pay money secured by mortgage or otherwise. It is almost invariably an interest bearing certificate. The usual denomination is $1,000, although the tendency of the Canadian investor to patronize good securities has led to the issue of small bonds in denominations of $500 or $100. There are many varieties, such as industrial, railroad, and public utility issues, all of which are popular in Canada. Then also there are government and municipal bonds, which are usually considered to have the maximum of safety, although yielding, as a rule, a smaller interest return than the other three classes noted.

A coupon bond is one both interest and principal of which are payable to bearer. Such a bond carries with it a series of coupons, usually attached to the bond itself, which are clipped off on the respective interest periods and deposited with the banks for collecting by the holder of the bond in the same manner as checks are deposited. A registered coupon bond is one which bears the name of the owner, and only the principal can be paid to him. The interest, however, is still payable to bearer. A straight registered bond is one bearing the name of the owner whose name is registered on the books of the company issuing the bond, and the interest payments are made by checks forwarded to the address of the owner.

A gold bond is one which is specifically payable, both principal and interest, in gold coin; a currency bond is one which is payable with any kind of money that is legal tender.

Investment bonds are issued at all rates of interest from three to seven per cent. Generally speaking, as the rate rises, the degree of safety declines, although this cannot be regarded as a hard and fast rule. A letter recently came to this office asking for an absolutely safe, gilt-edged investment, yielding 10 per cent. That is an impossibility. As soon as one leaves the sphere of the six per cent. bond, the speculative arena is entered. This is based on the principle that it is better to invest money where it will be safe and the interest sure, rather than to take a chance on getting a higher rate for a while, then to witness interest default and possibly lose the original capital. Safety is clearly the first consideration in investment. The money invested must be returned to you or your heirs in full at a definite time. Ownership of property does not insure this. A bond, however, is a secured promise to pay, an obligation or guaranty to return for value received a certain sum of money on a given date.

The next important point is that the investment shall return a satisfactory income. Real estate, an instance of individual ownership, gives uncertain profits, for when lands or buildings are idle, the income ceases. The investor should not depend upon the rise or fall of business profits. Stock dividends, as an example, may increase, decline or stop entirely, according to whether prosperous or adverse times are surrounding the business or dominating the country. A good bond overcomes these difficulties.

Then there is the question of convertibility. Your investment should be of such a nature and in such form as to permit a ready sale for cash, if you so desire, or to be used as collateral for a loan at a bank in case borrowed money is needed quickly. A good bond fulfils all the requirements noted.

The financial houses of to-day have made it possible for the small investor to participate in the big bond issues. They are divided into many small parts and one of those parts is the bond you buy. For example, an issue for one million dollars may be divided into one thousand parts, or bonds, of $1,000 denomination each; or perhaps 2,000 bonds of $500 each, or even 10,000 bonds of $100 each. Such a bond issue may be compared to a large farm mortgage, divided into many parts, each part like a separate mortgage. A bond, therefore, is a negotiable instrument, so prepared as to be readily recognized at banks and in the market places of the world as a part of a loan of real worth and infinitely secured as to repayment of principal with interest. But as we have learned in Canada, there are even bad bonds.

The art of discriminating can to a large extent be learned by the average investor, and we will try to show how. Last year, Canadian bonds to the value of $239,000,000 were sold.

Views of a Nova Scotia Investor.

Editor, CANADIAN COURIER:

SIR,—I have read with interest the splendid articles in your recent issues exposing the methods of the "Get Rich Quick" swindler in sales of mining and other stocks. I am really indebted to a friend in the House at Ottawa who called my attention to the articles for the pleasure of reading them, and congratulate you on the good work you have been and are doing in trying to down the swindler and work for *better* laws, for protection of the unwary investor here in Canada. I might say that subject is one in which I am deeply interested, and I have been using my best efforts for months past in trying to bring about needed reforms, and now that reputable publications of your class and papers of note in the Dominion have taken up the cudgels and are lambasting the glib fiscal agent, public sentiment will be thoroughly aroused and we may expect, before long, to have substantial laws enacted that will eventually crush out this great evil.

With due respect to you and our good friend, the Deputy Minister of Ontario Mines, Mr. Gibson, permit me to point out that the fact of you and he telling the public *not* to buy mining stocks, does not have much force with it for the simple reason that while papers, magazines and other publications in Canada are allowed to accept and publish IN ANY FORM misleading prospectuses and other worthless stuff of the "get rich quick" variety,