The Farmer's Advocate and Home Magazine

"Persevere and Succeed."

Established 1866.

REGISTERED IN ACCORDANCE WITH THE COPYRIGHT ACT OF 1875.

VOL. XLI. LONDON, ONTARIO, MAY 17, 1906. No. 712

EDITORIAL.

Mr. Moses Franklin Rittenhouse.

When a man has achieved any marked success, in any line whatever, the next question invariably is, how did he do it? Tell us something about him. Not curiosity alone, perhaps, is at the bottom of such questioning. Men feel the need of encouragement and inspiration. Let us have a glimpse into this man's life. Let us see the difficulties he surmounted. So may we, possibly, find heart. So may we get our feet fixed in the crevices of the rock, and be willing to struggle on a while longer.

Many of our readers whose attention has been drawn by the allusions to Mr. M. F. Rittenhouse in recent numbers of "The Farmer's Advocate," are likely asking these questions, and, with the kind permission of Mr. Rittenhouse himself, we are enabled to give a few facts in regard to a life which has been marked throughout by a persistence and determination which may well serve as an inspiration to any man. His portrait in our issue for May 3rd discloses him a man of modest demeanor, kindly but exceedingly alert in manner, one who has learned the art of right living by the Golden Rule.

Mr. Rittenhouse is of German-Dutch ancestry, but was born near St. Catharines, Ont., August 12, 1846. It was his good fortune to be "born well," receiving a strong infusion of the noble blood and spirit of the early Pennsylvanians, whose fortunes were linked with the Quaker settlement at Philadelphia, where his father, John Rittenhouse, was born. During his early life he attended school only in the winter, working on the farm during the summers. At the age of 18 he went to Chicago, where he first received employment in a planing mill, where he began on the munificent salary of $3.50 per week. After that, a time of rolling from one thing to another—printer's devil, tally boy, manager of a lumber yard, salesman, bookkeeper, general manager of the J. Beidler & Bro. Lumber Co., treasurer of the same company, finally manager of a venture of his own, which was established in 1883, under the name of Rittenhouse & Embree. The rolling stone had, it will be observed, in defiance of all precedent, succeeded in gathering moss, and that the moss has continued to accumulate, even though distributed with a liberal hand, is evidenced clearly enough by such monuments as the Rittenhouse rural school and library of 2,000 volumes, in Lincoln Co., and the Rittenhouse experimental fruit farm, recently donated to the Ontario Government, as announced in these columns. As a matter of fact, the firm of Rittenhouse & Embree has been wonderfully successful. During the first year of existence it handled 7,000,600 feet of lumber. By 1903 the amount had increased to 52,000,000. Besides its extensive mills in Chicago, the firm has established branches in Pueblo, Col., Omaha, Neb., and in Warren, Arkansas. Mr. Rittenhouse has also extensive interests in other corporations, among which may be mentioned the wholesale hardware house of Derickson & Co., of Minneapolis, and the Drovers' Deposit National Bank, of Chicago, and has been President, Vice-President, etc., of half a score of lumber companies. Of his family, one son, true to hereditary instinct, is a farmer on a large scale in Livingston County, Illinois, another is with the Arkansas Lumber Company, while the youngest is a medical graduate of the Northwestern University, now in charge of a missionary hospital in Burmah.

There is just one point more in Mr. Rittenhouse's career to which we wish to draw especial attention. It has been the habit of a considerable number of people to underrate the value of education in a business career, and from time to time this successful man and that has been pointed to as an example of how a man can succeed with little or no schooling. True, a man may, with extraordinary business ability, forge forward, even though he has little more education than enough to write his own name and reckon interest. Nevertheless, the advantage of education has been recognized by many successful men, and by none more than Mr. Rittenhouse. Although he never had the privilege of liberal schooling in his early days, he stopped time and again during his business career to supplement his early learning by a course of study, first at the old home in Canada, and later at Eastman's Business College, Chicago, from which he received a diploma in 1867. And since wealth and influence have come to him he has spared no effort to promote the cause of education, not only when opportunity offered, but whenever he could find time to create an opportunity.

Surely Mr. Rittenhouse's example may be an inspiration to others possessed of less "means," perhaps, but equally zealous in good works, to do what they can. A donation of a book or two to a school library, a flag, a globe, a school-garden, is within the power of many, and, in the words of the old Scotch proverb, "Mony a mickle maks a muckle." Why not a Mr. Rittenhouse in every school section in Canada? Let us cultivate the Rittenhouse spirit in every board of public-school trustees.

The Principle and Method of Life Insurance.

Just now, while the country is more or less concerned over the revelations of the American, and latterly the Canadian, insurance investigations, our readers will be interested in an exposition of the principles and methods of life insurance, as set forth with remarkable lucidity and detail by Burton J. Hendrick, in the May number of McLure's Magazine. At the outset, Mr. Hendrick draws sharp and clear the difference between insurance and investment. The essential principle of insurance amounts to this: A man pays to a company acting in the capacity of trustee a certain sum of money, usually in annual instalments to suit the man's convenience, this sum being the company's estimate of what is sufficient, when compounded at a safe rate of interest, to enable the company to pay his heirs an amount stipulated as the face value of the policy, this supposing the man to live as long as the average of men insured at his age. This average is computed from mortality tables, based upon a wide observation of actual facts. Some live longer, some a shorter time, but the company is safe enough on the mean of all the risks if it does a business of any magnitude, for the mortality tables have been determined to a nicety, and the deviation from them on any particular class of risk is slight. For purposes of calculation, therefore, the company can predict about when the average man will die, gauging the cost of his risk accordingly. This, in effect, is what is done.

The institution of life insurance rests upon two solid bases, the law of human mortality, and the law of compound interest. The mortality law enables the company to foresee for a long period of years its annual expenditure for payment of death claims, and consequently to make provision for meeting them. With this principle alone, however, insurance would not be attractive, because its cost would be excessive; but the interest element, by enabling the company to use the money held in trust, makes insurance cheap, bringing it within the reach of the poorest citizen. It will bear emphasis, though, that the company is supposed to be investing this money, not for its own or the enrichment of officers, but for the policyholder. Every cent of his premiums and the interest accruing, over and above the legitimate expenses of the company, belongs to him. An abuse of life insurance has crept in through a looseness of understanding on this point.

Incorporating the principle of insurance, as above set forth, there have been various schemes attempted. One pausible plan is the pay-as-you-go, or assessment method, by which the death claims are annually assessed upon the survivors. This works well for a time, Mr. Hendrick points out. The premiums are low, because few are dying, and there are many to share the losses. As time rolls on, the proportion of annual deaths increases and the assessments become unbearably heavy. It may probably be assumed that the cost could be kept down by assessing new members, but this would be an injustice to the latter, a powerful deterrent to increase of membership, a violation of the very first principles of insurance, and, at best, only a means of deferring the evil day until not enough additional persons could be induced to join. In practice, it is found that these assessment associations begin to lose members as deaths and assessments increase. Men simply will not pay these largely-increased premiums which come in the later years, when payment is hardest; consequently they retire, and the assessment scheme finds itself on the rocks.

By other companies, instead of the assessment plan, the cost of insurance has been carefully figured out to a basis of level premiums, the amount of each premium being gauged according to the age of the insured, the number of premiums, and the time the policy is payable. There are two kinds of level-premium policies commonly in vogue. These are the life policy and the endowment. The life policy is payable at death of the insured. It is usually purchased by paying a level premium annually for a period of twenty or twenty-five years, or it may be purchased by paying a level premium to the end of life. The endowment policy premiums are paid annually for a stipulated period of years, at the expiration of which time the face value of the policy, together with profits accruing, is payable, provided the insured has not previously died, in which case it became payable at his death. The principle, however, is the same in all cases, the exact amount of the premium being a matter of calculation with annuities.

It will be readily understood that a man paying an equal premium each year will be overpaying the cost of carrying his risk in the early years when the death rate is low, but underpaying it in later years when the risk increases. For a time, therefore, the company will be receiving from its policyholders more money in premiums and interest thereon than it is paying out in death claims on that particular class of policies. This sum, consisting of unused premiums, plus compound interest, constitute the company's reserves. The reserve in each policy is simply money held in trust against the time when the policy becomes a claim, either by death or maturity, and the reserve is used whenever the amount of the policy is paid. The time must come, under this level-premium system, when the amount of claims will exceed the premium income, and then the reserve and interest fund will make up what is lacking. If the association honestly reserves these unused early payments, it cannot become insolvent, but if it steals or wastes them it must ultimately collapse. Fortunately, there are, in the various States of the Union, and also in Canada, organized insurance departments to watch these reserves and prevent their misuse. We submit that the profits should