

VALUE OF LIFE INSURANCE

XIX.

Death Duties and Assurance

BY C. A. HASTINGS.

In Great Britain, these duties are a tax upon capital; in Canada, at the present time, I believe I am correct in saying, that they vary a good deal. However that may be, man cannot evade them satisfactorily, unless he bequeaths his estate during his life-time. Here again life assurance steps in.

It may not be out of place to recall here a case which occurred recently in Great Britain. It was an assurance for two and a half million dollars. Few men can afford to carry so much, but it is significant that so wealthy a man should think it wise to place one-tenth of his estate into life assurance.

Excuse is Common One.

Wealth is such a very common excuse for not taking out a life policy, on the grounds that he can do so much better with his money. It is, however, a well-known fact that those who are doing exceptionally well with their money are the very men who not only do take out large policies, but which are also large in proportion to their wealth.

However, the policy I am going to describe is more useful to small estates than to large, because the savings left to his successors are, as a rule, solely, existence versus starvation, whereas the worst that can happen to wealthy persons is that less luxury is enjoyed. I will assume, for example, that a man is in his fortieth year, and that his estate will have to, some day or other, pay duty on \$20,000. To provide 5 per cent., assuming that is the amount of duties payable, he would have to put aside an annual premium of a little less than $3\frac{1}{2}$ per cent. on a whole of life with profits policy.

Capital Does not Depreciate.

Any person can figure out for himself how much protection should be bought at $3\frac{1}{2}$ per cent. per annum to produce the required amount payable twenty-five years hence on the life of a man aged forty. On the death of the assured, whenever it happens, this policy will provide the wherewithal, without having to resort to a forced sale of any of the assets. To compare this method with that of any other, the assured will soon discover that, not only has he to live at least twenty-five years to produce the amount required—which assurance will do after he has made the first payment—but will also have to be lucky all these years if his capital does not depreciate—in assurance it is an impossibility.

The following articles in this series have already appeared:—

- (1) March 1st—How to become one's own master.
- (2) March 8th—How depreciation of assets can be met.
- (3) March 15th—How to borrow at a profit.
- (4) March 22nd—The automatic production of capital.
- (5) March 29th—How to redeem debentures.
- (6) April 5th—Value of goodwill and how to preserve it.
- (7) April 12th—How to protect capital in land, etc.
- (8) April 19th—Short-term policies.
- (9) April 26th—Endowment policies.
- (10) May 3rd—Single premium policies.
- (11) May 10th—The policy for the professional man.
- (12) May 17th—A life policy as collateral security.
- (13) May 24th—Lucrative investment.
- (14) May 31st—Partnership protection.
- (15) June 7th—Home versus commerce.
- (16) June 14th—Policies that are cheapest and best.
- (17) June 21st—Higher education for children.
- (18) June 28th—Relations of Partners, Active and Sleeping.

At the recent auction sale of Consumers' Gas Company's stock 10,310 shares were offered, and 6,810 were sold at and over the reserve price of 166. The sale realized over \$570,000, thus the investors are getting their money on the basis of 6 per cent.

At the annual meeting of the St. Lawrence Sugar Refinery, Limited, the president, Mr. I. Baumgarten, presented the yearly statement showing a prosperous twelve months for the company. This was the first annual meeting since the reorganization, which took place about a year ago. The directors were re-elected for the ensuing year, the board being composed of Messrs. B. Baumgarten, president; O. W. Donner, vice-president; J. W. McConnell and E. A. Reincke, of New York.

PANAMA CANAL

Effect on Freight Rates—Traffic on the Suez and Panama (Expected) Waterways Compared

The Panama Canal is always thought of, first of all, with reference to the commerce between the two seaboard of the United States; yet it is probable that only one-tenth of the ships that pass through the canal in 1915 will be employed in the inter-coastal trade, says Professor Emory R. Johnson, in an interesting article on the famous waterway.

Whatever may be the effect of the Panama Canal on the rates charged by coastwise carriers upon inter-coastal traffic shipped from seaboard and inland points, he continues, it is certain that the costs of transportation will be reduced fully one-third. The American-Wawaiian Steamship Company pays one-third of the through rate, or on the average about \$3.50 per ton of 2,000 pounds, to the Mexican National Railway across the Isthmus of Tehuantepec, for transferring cargo from the ship in one ocean to the vessel in the other. Through shipments via Panama are likewise billed at through rates, the Panama Railroad Company taking an agreed share of the total rate. The average cost of transferring cargo across Panama, from one steamer to another, is fully \$3.00 per ton.

Saving Per Ton

This saving of \$3.00 to \$3.50 per cargo-ton will be only partially offset by the tolls of \$1.20 per net vessel-ton charged for transit through the canal. A vessel-ton is 100 cubic feet of space, while a cargo-ton may be either 2,000 pounds of weight (more often 2,240 pounds on the ocean), or 40 cubic feet of space. Freight-vessels can transport between two and three tons of cargo for each net ton, and in actual service they average nearly two freight-tons per vessel-ton. Thus the tolls that have been fixed by the president will amount to about 60 cents per ton of freight, or, roughly, one-fifth the present average cost of transferring goods across the isthmuses of Tehuantepec and Panama.

What the New Canal Will Do

The canal will do much more than to provide a cheaper route for existing traffic. By making possible the through shipment of freight without transfer it will permit the movement of a heavy tonnage of lumber, ore, coal, and other commodities, which can seldom bear the expense of a double handling en route. The canal will bring into the channels of commerce the basic materials produced in large quantities by the extractive industries of the southern and western sections of the United States. The expenses of trade will be reduced and its volume expanded.

The simplest and most concrete measure of the service rendered by the Panama Canal will be the tonnage of the ships that use the waterway. This can be forecast with a fair degree of certainty, because it is possible to ascertain how much traffic now moves by routes that would be abandoned in favor of the canal route, and it is easy to find out how fast this available canal traffic is increasing.

The history of the Suez Canal, the great inter-oceanic highway with which the Panama Canal is closely comparable, is an open book. Last year, 5,373 ships, having a net tonnage of 20,275,000 tons, passed through the Suez waterway. The growth of tonnage in ten years had been more than 70 per cent.

The shipping using the Panama Canal annually during the first year or two of its operation, that is in 1915 and 1916, will amount to about 10,500,000 net tons. At the end of ten years the tonnage will doubtless have reached 17,000,000 net tons. The prospect thus is that the Panama Canal will start with less than half the tonnage which will then be making use of the Suez Canal.

Panama and Suez

Moreover, it will be a long time before the Panama Canal catches up with the Suez waterway in volume of traffic. Should the Suez tonnage continue to increase at the present rate, the volume of shipping served by the Suez Canal in 1925 will be double that passing through the Panama waterway. It is hardly probable that the Suez tonnage will continue to increase at its present high rate; while it may well happen that the stimulating effect of the Panama Canal upon industry and trade has been underestimated. Eventually, at the end of two or three decades, let us say, the traffic at Panama may equal or exceed that at Suez.

Mr. Frank Sanderson, consulting actuary, left Toronto a few days ago for a two months' trip to England and Scotland. He is accompanied by his son.

Superintendent J. A. Zimmer, after being in charge of the Fort Wayne district for the Prudential of Newark, N.J., for the last three years is being transferred to Winnipeg district, Canadian division. His twenty years' service began as an agent at Milwaukee, April 26, 1893.