books. The balance is usually payable in 10 to 12 monthly instalments, interest being charged on the balance due each month, as for instance:—

Par value of security	$100	Interest on $65 for one month.	
Market price	85	Next payment, Oct. 1	6
First payment, Aug. 1	20		
Balance due	$65	Balance now due	$53
Next payment, Sept. 1	6		
Balance due	$59	Int. on $59 for one month (and so on)	

Offset Interest by Dividends

At the same time if a dividend is paid the amount is credited to the purchaser, and thus the interest charges may be offset to a great extent—entirely if the "yield" on the security exceeds about 6 per cent. Interest charges now run about 7½ per cent. as the banks charge the investment house 6½ per cent. on the amount they borrow to make up the difference between what the client pays in cash and the total cost of the securities purchased, while the firm charges 7½ per cent. interest, a "spread" of 1 per cent. As the client completes his payments of course the interest charges decline,—as in the case of a mortgage—and soon the dividend exceeds the interest.

The investment house agrees to dispose of the security at market value any time the client desires, and he is credited with the proceeds of the sale. There would be the usual "brokerage "charge of 25 cents a share.

If a client is unable to complete his periodic payments he does not lose what he has paid in to date: this is credited to him and all will be refunded provided the proceeds of the sale of the security are equal to its cost price. If it cost $85 and sells for $95 the "profit" of $10 goes to the client.

Lower First Payment on Bonds

Where a bond is purchased the investment house is willing to accept about $10 on a $100 purchase as an initial payment, in place of about $20, as the fluctuations in bonds are less than in preferred or common stocks.

"Marginal" operations are in the main speculative; while "instalment" buying is more in the nature of an "investment" transaction. "Marginal" offers far greater opportunities for profit, and equally so for losses; the "instalment" plan is the safer, for the average investor.

Restrictions in "Instalment" Buying

This is the case so far as the "method" is concerned, but there is another aspect even stronger for the investor in actual practice. Where an investment house co-operates in the "instalment" plan it usually restricts buying to securities that it feels are desirable as an investment, where, a "marginal" transaction in most cases is entered into for the likelihood of being able to make a "turn." that is a quick profit, not on the interest or dividend payments, but on an anticipated advance in the principal, the capital; the market price of the security. Where the investment house undertakes to protect the purchaser on the instalment plan against a slump on the market, it usually chooses to offer him the more conservative, and less fluctuating types of securities. This is all to his advantage: good dividend payers: stable earners; well tested corporations. In such cases it matters little to the investor whether his C. P. R., or Ogilvie, or Textile, or Penmans, or "Power" declined 10, 20, 30, or even 100 points, as one did: his dividend held on securely, and he could rest content that—except in a business cataclysm—his security, in the upward swing, would gradually increase its "capital" value once more.

There is no purpose here of decrying "marginal" buying on the Canadian stock exchanges. It has its place as will be explained later on,—a very useful place—but fully ninety per cent. of it is not investment buying, and this Department can give little attention to what are speculative investments, and none at all to stock market gambling as such.