

All of these companies expressed the opinion that any variances from year to year were due to the relative availability and to the yields on the purchases. Two of the mutuals indicated that the purchases were related to Federal income tax considerations and the profitability of the company's operations.

b. Maturity distribution

A survey of mutual companies found that there is no uniform pattern, with respondents about equally divided between preference for 20-30 or 20-40 range and 10-15, 10-20 or 10-25 range.

Those favoring longer terms simply have a policy of preferring them, or prefer them because they normally offer a better rate of return and more capital gains opportunities in the event sale of some bonds becomes desirable. Maturity ranges fluctuate, however, depending upon the interest rate cycle, and there are times when such companies have no interest in purchasing longer maturities.

Those favoring shorter terms (from 10 years up) give a variety of reasons. Some feel the typical yield curve gives the optimum yield in the 10-15 maturity range, and beyond that the additional yield does not warrant extension of maturity. Yields are attractive there, and fit into some company programs of attempting to keep something of a level maturity schedule. Emphasis on certain years may change from time to time as maturities schedules are reviewed. The Federal income tax situation is an important consideration for some companies. During the early 1950's, when interest rates were low, some companies favored shorter maturities (as low as 1-5 and 5-10). As interest rates increased some companies favored longer maturities up to the 20-40 year range. Some companies are not heavy buyers of State-municipal securities at present. They feel that, if they were, they probably would be trying to maintain a fairly even distribution, buying longer term bonds to replace maturities, with some purchases in intermediate ranges to replace called securities.

In the case of the stock companies, it was found that maturities of 20-40 years are generally purchased in order to get the higher return which usually prevails. A survey of independent companies revealed the following pattern of maturities of acquisitions:

Maturity	Number of companies	Percentage pattern
Under 1 year	1	3
1 to 5 years	2	2, 4
5 to 10 years	2	5, 17
10 to 20 years	6	5, 15, 72
20 to 40 years	11	85(2), 7

For the independent companies it was noted that the longer term maturities are purchased in order to give the companies the highest yields, largest call protection and still provide adequate liquidity when added to other items. Short-term bonds are generally purchased when a company feels that it might be able to purchase longer term bonds in a not-too-distant future at a more advantageous price.

c. Bond ratings

The survey of mutual companies found that dependence upon ratings assigned by bond rating services does not seem as great as would ordi-