

TABLE 3.—*State and local government securities*

[Dollar amounts in millions]

Year	Total outstanding	Held by personal trusts	Net change	Percentage of total outstanding held by personal trusts
1945.....	\$16,417	\$2,950	-----	17.96
1946.....	15,736	3,030	+\$80	19.25
1947.....	16,580	3,110	+80	18.75
1948.....	18,399	3,190	+80	17.33
1949.....	20,538	3,270	+80	15.92
1950.....	23,804	3,950	+680	16.59
1951.....	26,688	4,610	+660	17.27
1952.....	29,217	5,270	+660	18.03
1953.....	32,268	5,410	+140	16.76
1954.....	37,393	6,130	+720	16.39
1955.....	42,706	6,650	+520	15.57
1956.....	47,524	7,250	+600	15.25
1957.....	51,990	7,830	+580	15.06
1958.....	56,790	7,791	-39	13.71
1959.....	61,985	7,786	-5	12.56
1960.....	66,425	9,098	+1,312	13.69
1961.....	71,730	9,946	+848	13.86
1962.....	80,131	10,794	+848	13.47
1963.....	88,915	11,644	+850	13.55
1964.....	91,300	12,200	+556	13.36

Sources: Total outstanding: Statistical Abstract of the United States, Department of Commerce, Bureau of the Census 1958, table 486; 1965, table 553. Excludes obligations of the Philippines and after 1952 the obligations of Puerto Rico.

Held by personal trusts: For 1958, 1959, 1960, and 1963 Report of National Survey of Personal Trust Accounts, Trust Division, the American Bankers Association, New York (released 1964); for 1962 and 1964, estimated; for other years Goldsmith, Lipsey, and Mendelson, Studies in the National Balance Sheet of the United States, vol. II, Princeton University Press, Princeton, N.J., 1963.

There has been no feasible way to obtain data on the holdings of obligations of nonprofit organizations. However, these are believed to be held by trust departments in very nominal amounts.

In the following sections of this study, there will be statements concerning the investment policies followed by trust departments in acquiring their indicated holdings of State and local government securities. As will be stressed, these decisions are generally made in accordance with the requirements of each individual personal trust account. Many of these accounts are individually invested because the amount of funds is sufficiently large to justify individual investment. In recent years, however, trust departments have found it useful to commingle many trust accounts or portions of trust accounts for collective investment. To do so, they have set up several types of common trust funds, including tax-exempt bond funds.

The following paragraphs, extracted from a bank's annual report on one of these funds, provides an excellent statement of the reasons for their use:

In recent years we have found that the tax brackets of many of our trust account beneficiaries have reached a point where some tax-exempt income would be most welcome. Although we have endeavored, where feasible, to provide relief through individual investments in tax-exempt securities, the limited size of trusts in many cases makes such individual investments both more costly to the trust as well as deficient in a reasonable geographic and maturity diversification of investment assets.

In order to remedy this situation this company, on February 1, 1965, established a discretionary common trust fund—tax-exempt fund. This fund operates under the laws of the District of Columbia, rules and regulations of the Comptroller of the Currency, and in accordance with the provisions of a plan approved by our board of directors. Typical of the operation of common trust funds, our