

TABLE 6.—*Personal trust assets*

[Dollar amounts in billions]

	Total trust assets	State and local government securities			Total trust assets	State and local government securities	
		Amount	Percent of total trust assets			Amount	Percent of total trust assets
1946-----	\$28.74	\$3.0	10.44	1956-----	\$50.84	\$7.3	14.36
1947-----	29.41	3.1	10.59	1957-----	46.04	7.8	16.94
1948-----	30.29	3.2	10.56	1958-----	49.68	7.8	15.70
1949-----	32.44	3.3	10.17	1959-----	57.17	7.8	13.64
1950-----	34.25	3.9	11.39	1960-----	62.34	9.1	14.60
1951-----	35.41	4.6	12.99	1961-----	68.56	9.9	14.44
1952-----	35.92	5.3	14.76	1962-----	75.41	10.8	14.32
1953-----	35.58	5.4	15.18	1963-----	82.24	11.6	14.11
1954-----	43.69	6.1	13.96	1964-----	89.64	12.2	13.61
1955-----	49.87	6.6	13.23	1965-----	96.50	13.2	13.68

Sources: For 1958, 1959, 1960, and 1963 "Report of National Survey of Personal Trust Accounts," Trust Division, the American Bankers Association, New York; for 1964 and 1965 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.

2. PORTFOLIO GUIDES

There are no guidelines established by trust departments regarding the proportion of tax-exempt securities which should be held in relation to other types of investments.

It must be stressed that in investing the funds of personal trust accounts, trust departments consider solely the best interest of the individual account. This means consideration must be given to the needs of the income beneficiaries, as well as those of the remaindermen within the limits which may be set forth in the trust instrument. Therefore, investment decisions must be made after considering at least the following:

- (1) The needs of the income beneficiaries for current income;
- (2) The length of time the trust has to run;
- (3) The age of the income beneficiary and the ages of remaindermen; and
- (4) The income of the beneficiaries from other than the trust assets.

In weighing the above factors, the trust investment officer can decide whether current income should be maximized or whether investments should seek both income and capital gains in equity securities. The problem of maximizing current income will, of course, raise the question as to whether the total income of the beneficiaries from the trust and from other sources would justify seeking tax-exempt income through the purchase of State and local securities. The answer is clear when the beneficiaries are in the higher income tax brackets. In such cases mortgages are not at all competitive with tax-exempt securities because the interest earned on mortgages, being fully taxable, is not high enough to offset the advantage of tax exemption. When beneficiaries are at lower marginal tax rates, mortgages may become attractive.

Table 7 shows clearly why those in higher income tax brackets would benefit by tax-exempt investment income. For example, a taxable yield of 6 percent would be required just to equal a tax-exempt yield of 3 percent for one in the 50 percent income tax bracket.