

Aaa bonds was 4.49 percent and on U.S. Government long-term bonds 4.21 percent. (See table 4.)

The judgment is sometimes expressed that State and local government bond investments are especially attractive to affluent individuals in the upper age brackets, since they might want to reduce their investment in a personal business venture and since long-term capital appreciation prospects on growth stocks might be beyond their planning horizons. The 1962 Survey of Financial Characteristics of Consumers provides some evidence in favor of this hypothesis. When consumer units are grouped by wealth brackets and age groups, units headed by a person of 65 years or above reported holdings of State and local obligations more frequently than consumer units headed by a person younger than 65 years. More frequent holdings of State and local bonds for older investors were found among consumer units with wealth holdings between \$200,000 and \$500,000 and also for units with wealth exceeding \$500,000.² Units reporting wealth holdings of less than \$200,000 reported small frequencies of holdings of State and local obligations in all age brackets.

TABLE 4.—Average annual yield on selected types of financial investments and tax advantage of State and local bonds

	Yields					Marginal income tax rate that equalizes yield, State and local bonds and—	
	AAA State and local bonds	AAA corporate bonds	U.S. Government long-term bonds	Time and savings accounts			
				Commercial banks	Savings and loan associations	Corporate bonds	Savings and loan shares
1946.....	1.10	2.53	2.19	0.84	2.4	56.5	54.2
1947.....	1.45	2.61	2.25	.87	2.3	44.4	37.0
1948.....	1.87	2.82	2.44	.90	2.3	33.7	18.7
1949.....	1.65	2.66	2.31	.91	2.3	38.0	28.3
1950.....	1.56	2.62	2.32	.94	2.5	40.5	37.6
1951.....	1.61	2.86	2.57	1.03	2.6	43.7	38.1
1952.....	1.80	2.96	2.68	1.15	2.7	39.2	33.3
1953.....	2.31	3.20	2.94	1.24	2.8	27.8	17.5
1954.....	2.04	2.90	2.55	1.32	2.9	29.7	29.7
1955.....	2.18	3.06	2.84	1.38	2.9	28.8	24.8
1956.....	2.51	3.36	3.08	1.58	3.0	25.3	16.3
1957.....	3.10	3.89	3.47	2.08	3.3	20.3	6.1
1958.....	2.92	3.79	3.43	2.21	3.38	23.0	13.6
1959.....	3.35	4.38	4.07	2.36	3.53	23.5	5.1
1960.....	3.26	4.41	4.01	2.56	3.86	26.1	15.5
1961.....	3.27	4.35	3.90	2.76	3.90	24.8	16.2
1962.....	3.03	4.33	3.95	3.14	4.08	30.0	25.7
1963.....	3.06	4.26	4.00	3.33	4.17	28.2	26.6
1964.....	3.09	4.40	4.15	3.47	4.19	29.8	26.3
1965.....	3.16	4.49	4.21	(1)	(1)	29.6	(1)

¹ Not available.

Source: Board of Governors of the Federal Reserve System and "Savings and Loan Fact Book."

Information on the annual savings flow of individuals into State and local obligations is available only from estimates which start out with total net issues of State and local securities and deduct the takings by various institutional groups. The residual takings are attributed to a sector that includes households, personal trust funds and nonprofit

² Units with more than \$500,000 of wealth, however, reported about the same amount of mean holdings of State and local bonds whether they were headed by a person of 65 years or above or by a person in the 55- to 64-year age group. Mean holdings dropped sharply for units headed by a person younger than 55 years.