through favorable tax treatment because it was decided that profit-sharing plans would not only provide incentives but would also spread capitalism and, as a result, could benefit the economy if they were to become widely used in American business. Only later, with the advent of the interest in retirement, was it stated in the law that deferred profit-sharing plans could be used to furnish retirement benefits.

> The sole purpose of the plan is to offer employees or their beneficiaries either (*a*) a share of the profits of the business or (*b*) an income after retirement.

It is still possible to establish a deferred profit-sharing plan which is qualified for tax benefits without having the funds going exclusively for retirement benefits, although many trusts now call for retirement funds as their ultimate aim. In the Vandenberg-Herring subcommittee report it is interesting to note recommendations stated that profit-sharing trusts should be established for two main reasons. One was to furnish a source for unemployment benefit funds and the other was as a basis for retirement funds.

The main contribution profit sharing can make to old-age income assurance comes from whatever incentive it can provide to increase productivity. A fact often overlooked is that, unless overall productivity is increased at a pace comparable to that with which benefits are expanded, retirement payments are robbed of their real meaning for the retirees. This is evident from the fact that whereas a pension of $150 per month in the 1930's was looked upon as adequate, today it is viewed as insufficient to support retired persons.

A good principle to adopt is the larger the welfare benefits, the greater will be the need for the Government to encourage incentive plans to increase productivity.

Contrasting Pensions and Deferred Profit-Sharing Programs

A pension plan is primarily a program to provide fixed and determinable benefits for employees after they reach retirement age through a spreading of the costs over the entire group of employees.

A deferred profit-sharing plan is best viewed as a method of providing the individual employee with the opportunity for creating an estate for himself and his family.

One of the most significant differences between the pension and the deferred profit-sharing program is that the former must be viewed as a single purpose plan while the latter is in reality a multipurpose benefit plan.

Deferred profit sharing in addition to its possible use as the basis for a retirement fund can and is also being used to fill many other needs of the workers such as:

- Funds to start a new business.
- Funds for death benefits.
- Emergency funds.
- Educational funds.
- Collateral for loans.
- Funds for housing.
- Unemployment or severance funds.

Under the pension plans, because of the basic philosophy involved, the young workers must contribute a disproportionately large amount