

bution of funds among assets other than common stocks shown in table V-8 has been arbitrarily made. Some weight has been given, however, to the anticipated strength in housing demand around the turn of this decade.

To project a meaningful flow of funds into corporate stocks (largely common), however, it was necessary to take some account of the effects of market appreciation, reflecting the value of retained earnings. If this appreciation should average 5 percent per annum in the years ahead—not an unreasonable assumption on the basis of past history and one consistent with the pursuit by fund managers of an aggressive program to increase and maintain a substantial position in equities—the composition of total portfolios would be approximately as shown in table V-9.

TABLE V-9.—POSSIBLE FUTURE ASSETS OF PENSION FUNDS CONCERNING INDIVIDUALS IN PRIVATE EMPLOYMENT, 1970, 1975, AND 1980

[Dollar amounts in billions]

Assets	1965 ¹		1970		1975		1980	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Book values:								
Common stocks.....	\$25.5	30.0	\$47.0	38.7	\$62.0	38.8	\$72.0	36.4
All other assets.....	59.5	70.0	74.5	61.3	98.0	61.2	126.0	63.6
Total.....	85.0	100.0	121.5	100.0	160.0	100.0	198.0	100.0
Market values:								
Common stocks.....	40.0	40.8	75.0	50.0	113.0	53.3	155.0	54.4
All other assets.....	58.0	59.2	75.0	50.0	99.0	46.7	130.0	45.6
Total.....	98.0	100.0	150.0	100.0	212.0	100.0	285.0	100.0

Note: For purposes of this calculation, the artificial assumption is made that no gains or losses are realized, so that changes in book values reflect only net inflows. The allocations of funds to common stock investment shown in table V-8 are assumed to apply to the preceding 4 years as well.

¹ Actual. Based on arbitrary allocation of life insurance company assets to reserves for insured pensions plus Securities and Exchange Commission data for trustee funds.

The pattern of net financial asset acquisitions presented here is conjectural, to be sure, but it attempts to recognize several important changes which will or may occur. The striking feature is, of course, the projected decline in net acquisitions of common stocks after 1970. This possibility deserves to be recognized because of the following three factors or assumptions:

1. It is assumed that life insurance companies will greatly expand their equity investments in the next few years through the use of separate accounts. Similarly, trustee funds are expected to be heavy investors in equities in order to increase the proportion in existing portfolios. The increase in the common stock component of the Bell System pension trusts is a substantial case in point. As a consequence of these factors, common stocks are assumed to increase from 30 percent in 1965 to 38.7 percent by the end of 1970 at book values, and from 40.8 percent to 50 percent at market values.

2. As the number of beneficiaries climbs in the years immediately ahead, funds accumulated under insured deposit administration contracts will be used to purchase guaranteed annuities for the pensioner. These funds, along with assets supporting existing deferred group and individual annuity contracts, will be invested largely in fixed-income securities. This is the dramatic maturing of pension promises, involv-