Savings Account Grows As

ESTATE BUILDER

Although Americans have a wide variety of outlets for extra funds and despite the competitive push for more sophisticated investments, the savings account has grown substantially in popularity during the past quarter century.

The gradual increase in the relative importance of depository savings is a facet of finance that has gone virtually unnoticed in this era when financial pages devote so much attention to more esoteric investment opportunities.

HOUSEHOLDS, according to figures compiled by the Federal Reserve system, have more than $448 billion on deposit in passbooks and savings certificates at financial institutions, such as commercial banks, savings and loans, and credit unions. This $448 billion represents 23.3 per cent of the total financial assets of families and individuals.

A generation ago their depository-type savings amounted to the much smaller $50 billion, but more importantly accounted for only 13.6 per cent of the total financial assets of families. The proportion held in the form of savings deposits has edged up almost without interruption during the past 25 years, reaching the new high of 23.3 per cent last June.

The Federal Reserve data also believes another widely held impression of modern "finance," the word that usually evokes images of Wall Street, big banks, and busy stock exchanges. But when it comes to the dollar-volume of financial assets, the biggest holder in the American economy is the family living on Main Street.

THE FEDERAL Reserve estimates that all financial assets in America total almost $4 trillion, nearly half the total.

A trillion dollars, much less nearly $2 trillion, is an abstract amount that is a little hard to comprehend. Here is a comparison that might help. If all wages and salaries of all industrial workers were stock-piled, payday after payday, 75 million persons on the payrolls of American plants would have to pile their earnings for four years before the total would reach $2 trillion.

Compared with the massive $1.9 trillion of households, other units in the economy appear quite small. Banks were way down the list holding $499 billion in financial assets; corporations trailed further behind with $411.5 billion. Banks and corporations together held 30.8 per cent of the nation's financial assets, while families and individuals accounted for 47.2 per cent.

THE ARRAY of financial instruments held by households, a term that includes mainly families and individuals, but also non-profit organizations, is quite formidable.

In dollar volume, corporate shares top the list, followed by passbook and certificate savings at financial institutions. Pension fund reserves are next in dollar amount, followed in decreasing order by life insurance reserves, demand deposits and currency, and U.S. Government securities.

Families also hold virtually equal amounts of state and local bonds, foreign corporate bonds, mortgage loans and mutual funds. These latter investments all run on the order of $2 billion each.

IN RECENT years a good deal of attention has been given to the shifting of savings by households between savings institutions and direct market instruments, such as stocks and bonds.

In 1965, for example, the American public added $26.4 billion to its over-the-counter depository-type savings. In the year that followed, this figure fell back to $17.8 billion as more money went into the direct market.

In 1967, families favored savings via financial institutions, lifting their net additions to $33.6 billion.

THE PAST year saw a zooming in the build-up of passbook and certificate savings. Through the first six months of 1972 alone, households added an historically high net of $43.5 billion to their accounts at financial institutions.

There was an actual cutback in the total holdings of securities and the total holdings of securities and in the value of corporate shares.

S & Ls Serve As R. E. Lenders

Savings institutions comprising the $200 billion savings and loan business are fast moving in the direction of becoming "full service real estate lenders."

A commemorative pamphlet prepared by the United States Savings and Loan League, the industry's largest trade group, notes that it took associations 132 years to reach their first $100 billion in assets and only eight years to reach the second $100 billion.

From modest 19th Century beginnings, the business has grown to where associations now take in about one-third of the nation's over-the-counter savings and are America's biggest mortgage lenders.

The League also observed that while lending money to people who want to build or buy homes is still the business' major lending job, the scope of savings and loan lending operations is broadening.

"Churches, shopping centers, urban renewal projects, industrial parks, mobile home parks, hotels, motels and recreational facilities, all of these can be and are being financed by savings and loan associations," the League said.

"The day may not be far off when we can underwrite the development of new cities and towns from the ground up, starting with the purchase of the land and ending with the construction of homes, apartments, stores, industrial buildings, service facilities, schools and parks.

The League noted that these new investments powers will have a big impact on America's economy, since much of the money associations lend is put to work paying construction workers, suppliers and others involved in the building projects they finance. Beyond that is the "multiplier effect" in the form of new economic activities generated by real estate developers.