

*No Amount is too Small for Investment in the Common Fund.*—In many estates there are small sums of money for which it would be impossible to find separate investments, but no amounts are too small for the Common Fund, and they earn the same rate of interest as the larger sums. There may be a direction, for instance, to capitalize the income of an estate, and investment in the Common Fund enables the smallest amount of income to become interest-bearing.

In the same way, many of the instalments of local bodies' sinking funds are so small as to preclude the possibility of separate investment, but falling into the Common Fund they become interest-bearing from the date of their receipt, and the interest itself becomes interest-bearing too.

The above particulars of the Common Fund will enable a judgment to be formed on the advantages it affords; and it may be mentioned here that it is the practice to make full explanation to testators making their wills in the Public Trust Office, and to point out that they are at full liberty to direct the investment of their funds specially outside the Common Fund. It has been found that the great majority desire the Common Fund system—many of them shrewd, competent men of business.

It has been stated that the Office retains too great a portion of the interest earned by the Common Fund; but several points of importance have been overlooked or withheld.

One critic, in detailing the amount of interest retained by the Office, failed to point out that during the years 1918, 1919, and 1920 the Office paid bonuses to estates amounting to £92,404 in addition to the interest credited in the ordinary course, and so giving an entirely misleading impression to his readers. Since the year 1920 the rate of interest allowed to estates held for a term of years or during interests for life has been 5 per cent. In that year the average rate of interest earned was £5 6s. 7d. per cent., so that the Office was retaining as remuneration for its services and provision for its guarantee the sum of 6s. 7d. per cent. In later years the average rate increased, but up to 1924 it had not exceeded 5½ per cent., except in 1923, when it was £5 10s. 4d. The explanation of an average rate lower than the current rate of interest lies in the fact that investments for a period of years at a lower rate of interest had not yet matured, and only the new money was available for investments at the high rates ruling in later years.

Considering the absolute guarantee given of both capital and interest, it can hardly be said that the Office was dealing unfairly with the estates in its charge.

In considering the amount of interest retained by the Office some critics have assumed that the whole of the interest earned by the Common Fund belongs to estates, entirely overlooking the fact that the Office reserve funds and balances in the Profit and Loss Account form part of the Common Fund and earn interest too.

In addition, the Office holds large sums of money for clients on trusts for a definite term of years at a fixed rate of interest, and the difference in the amount earned from the investment of these funds and the amount paid to clients in terms of their contracts is a legitimate profit accruing to the Office, and not to the estates with money in the Common Fund.

In a great many of the estates administered by the Public Trustee the testators or beneficiaries have directed prompt realization of assets and the immediate distribution of funds. As distributions are required, further similar amounts are coming in, so that there is always a considerable floating balance, which can be invested in the usual way, and as the interest allowed on such money is at a lower rate than in the case of money held for years or during life interests a surplus accrues to the Office, which cannot be regarded as belonging to the remaining estates. As the moneys referred to are payable on demand they cannot expect to receive as high a rate of interest as those that are available for investment for definite periods. In fact, but for the Common Fund system of investment, in many of such cases no interest could be earned at all.

Then, too, the interest earned by the Common Fund flows into the Office regularly throughout the year, and as most of it is payable to beneficiaries quarterly there is always a considerable sum available for new investments until it is required for payment as income to clients on due dates.