

diligence required of a trustee is that which an ordinary prudent man of business would exercise in conducting his own affairs. In applying this rule to trust investments, however, it has to be remembered that the trustee is investing on behalf of his beneficiaries, some of whom, it may be, will enjoy the benefits at a future time. In dealing with his own affairs a man of ordinary business prudence often takes risks which appear justified, but it may not be prudent for a trustee to take such risks.

This higher degree of care which should be exercised in the securities for trust funds has been widely recognized by the Legislatures of civilized countries. The rule generally adopted by them is that in the absence of authority granted by the instrument creating the trust, if there be such an instrument in existence, trustees and those acting in a similar capacity must invest in certain classes of investment prescribed by statute and no others. Within recent years in New Zealand, and in England too, the range of authorized securities has been considerably amplified—*e.g.*, in addition to the investments set out in the Trustee Act, 1908, trustees may now invest in debentures of Road Boards, Town Boards, and Electric-power Boards, and may deposit trust-moneys in any savings-bank constituted under the Savings-bank Act, 1908.

In the case of persons appointing the Public Trustee trustee of their estates two modes of investment are open to them. They have the full right to direct whether their estate funds shall be invested in the Common Fund or specially invested outside that fund.

If testators or other persons wish their investments to be made outside the Common Fund the Public Trustee acts in strict conformity with their wishes. The Department has accurate information as to the best trustee investments and offers a wide range of selection. These investments outside the Common Fund have not the State guarantee of principal and interest, but they are arranged with as much care as the Public Trustee's own investments, and he is under the same liabilities in respect to them as a private trustee.

The full interest earned by these special investments is paid to the persons concerned, less, of course, the usual commission for collection.

Testators and settlers may also select the Common Fund, which affords a form of trust investment unique for its convenience and safety. The advantages of the Common Fund were fully dealt with in my last report, and therefore it is not necessary to elaborate them here. The experience of the Office is that although both systems are plainly explained to settlers and testators the large majority prefer the Common Fund and the advantages which it has to offer.

LIFE-INSURANCE TRUSTS.

4. Reference has been made in previous reports to the growth in the United States of America of a special form of trust known as the "life-insurance trust," designed to conserve and protect the interests of persons benefiting under life-insurance policies, particularly in cases where the beneficiaries have had little or no experience in the handling of large sums of money.

I have previously expressed the opinion that this plan will probably be adopted extensively in the Dominion at a later date, and have made reference to the facilities offered by the Public Trust Office organization for the administration of this form of trust.

A statement as to the various types of trust of this description and of the provisions incorporated in the trust agreements appeared recently in an American magazine devoted to trust work, and this information is of interest in regard to this potential sphere of Office activity. The relevant portions of the article are reprinted hereunder:—

Every trust company in the country is to-day co-operating with the insurance men and helping to advertise their business. The most cordial relations exist. While the trust companies do not sell specific insurance they are urging their customers to buy from some one on a constructive programme. I have been told by some of the largest writers of insurance that the future never looked so bright, and they are beginning to think the possibilities have been scarcely touched.