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READING LIST AVAILABLE

The Society office will be happy to mail to anybody requesting it, an impressive 9-page document entitled

Literature Available for
Continuing Education of a
Valuation Actuary

The text, written by Donald D. Cody for the Joint Committee on the Role of the Valuation Actuary in the United States, lists, with explanations, papers that have been written on each of the following four segments of the topic:

I. The C-3 Risk
II. All C-1, C-2, C-3 Risks and Their Combination
III. NAIC and Academy Activities
IV. Items Not Yet Researched Their Combination

There is also a covering letter by Committee Chairman Gary Corbett. This material has been distributed to company chief actuaries.

REVISION OF STANDARD INDUSTRIAL CLASSIFICATION (SIC)

The U. S. Office of Management and Budget is revising the SIC for 1987 to reflect structural changes in the country's economy since the last major modifications in 1972. Actuaries are invited to submit proposed changes, which should contain:

(1) Specific details of activities to be covered in such change;

(2) Statement of the relationship to existing industries;

(3) Statistical evidence that the proposal is worthwhile and appropriate.

Get details from Pamela S. Powell-Hill at (202) 395-3093, or from Federal Register Vol. 39, No. 36, Feb. 22, 1984, pp. 6582-84. Send your proposals by Oct. 1, 1984 to: The Chairperson, Technical Committee on Industrial Classification, Statistical Policy Office, Office of Information & Regulatory Affairs, Office of Management & Budget. Washington DC 20503.

Mark G. Doherty

PREPARING FOR RETIREMENT WITH COMMON STOCKS

This is the promised sequel to the April issue display of S & P 500 common stock yields reflecting both capital appreciation and reinvested dividends. In this article are shown the results when dollar values have been adjusted to recognize purchasing power changes in accordance with the U.S. Consumer Price Index. Average values are used throughout.

Our purpose is to present these figures in a manner particularly useful for persons who are saving for retirement. To do this we must keep in mind that it's in the years nearest to retirement that the funds are largest—and usually the contributions likewise. It serves no good purpose to demonstrate, as can easily be done, that stock investments made thirty years ago will have far outpaced the offsetting CPI increases; the results for, say, the last five years simply swamp those of the early years.

The accompanying table contains three separate blocks. The figures in col. (8) of the first block show, crudely but perhaps representatively, some returns on savings funds being accumulated for retirement in 1983. Those in the second and third blocks relate to retirements in 1980 and 1975 respectively.

None of this trio is free of the damaging effects of a negative real yield during one of our three selected accumulation periods. It's hard to say which in practice had the best (or worst) experience. It seems clear that a negative real yield in the final five years (the case of retirement in 1975) must have been devastating, but the other two accumulations lost ground in the central one of our periods.

Conclusion: Describing common stocks as a hedge against inflation is passé.

E.J.M.

REAL COMPOUND ANNUAL GROWTH RATES, COMMON STOCKS

Over Selected Periods   Dividends Reinvested

Period Observed	S. & P. 500 Values* Start (1)	End (2)	Ratio (3)	Consumer Price Indexes Start (4)	End (5)	Ratio (6)	Col. (3) / Col. (6) (7)	Real Annual Growth (8)
5 yrs. 1978-83	2,162	4,525	2.09	195	298	1.53	1.37	6.5%
10 yrs. 1968-78	1,569	2,162	1.38	104	195	1.88	0.73	— 3.1
10 yrs. 1958-68	559	1,569	2.81	87	104	1.20	2.34	8.9
5 yrs. 1975-80	1,723	2,926	1.70	161	247	1.53	1.11	2.1
10 yrs. 1965-75	1,289	1,723	1.34	94	161	1.71	0.78	— 2.5
10 yrs. 1955-65	439	1,289	2.94	80	94	1.18	2.49	9.6
5 yrs. 1970-75	1,415	1,723	1.22	116	161	1.39	0.88	— 2.5
10 yrs. 1960-70	716	1,415	1.98	89	116	1.30	1.52	4.3
10 yrs. 1950-60	159	716	4.50	72	89	1.24	3.63	13.8

* Index values (1871 = 1). See TSA XXII (1970), 196-197, and extension in *The Actuary*, April 1984, p. 5.

MORGAN TURNS DOWN SAM

Three kind readers, no less, sent us an ode about underwriting of skinny applicants in 18th or 19th century Britain, that they saw in "Commentary By Charles A. Will", E.F. Hutton Life's bulletin, December 1983. Mr. Will says that Canada's Bill Weighton dug these verses up from *John Bull*, Tory newspaper of long ago.

"Sam" was Samuel Rogers (1763-1855), a poet of notoriously cadaverous appearance. "Morgan" was William Morgan (1750-1833), actuary of the Equitable of London, whose portrait is reproduced and career described in our booklet, *From Actuarius To Actuary*.

Cries Sam, 'All human life is frail,
E'en mine may not endure.
Then lest it suddenly shall fail,
I'll hasten to ensure.'

At Morgan's office Sam arrives;
Reckoning without his host;
'Avant' the frightened Morgan cried,
'I can't insure a ghost.'

'Zounds! 'Tis my poem, not my face;
Here list while I recite it.'
Said Morgan, 'Seek some other place,
I cannot underwrite it.' □