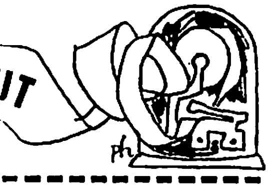
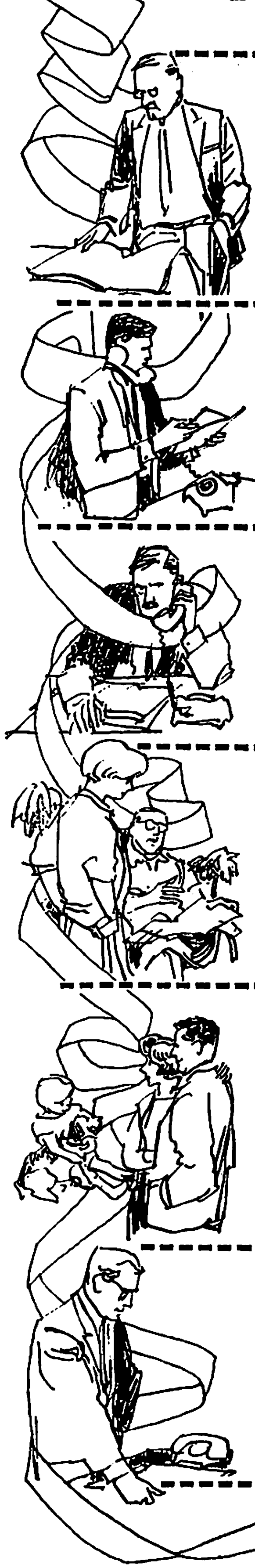
SOME EXAMPLES OF HOW INVESTORS IN STOCKS HAVE MADE OUT





Case No. 1: *An investor who bought stocks over the years, for long-term growth. His holdings are worth less than they were worth a few months ago, but he's still ahead of the game.*

EXAMPLE: Mr. Jones owns blue-chip common stocks such as General Motors, General Electric, Eastman Kodak, Union Carbide, accumulated since 1940 at a cost of about $17,000. Last January, his stocks were worth $32,000, but by July 1 they had declined to $27,000. Mr. Jones is sitting tight, expects prices to recover over the long run.

Case No. 2: *The man with little investment experience who figured it was easy to make money in a rising market. Many such people bought stocks in 1960 and 1961, panicked when prices plunged, and sold out at a loss.*

EXAMPLE: Mr. Smith took $15,000 of his savings in May, 1961, and bought "glamour" stocks in the science and electronics industries. By early in 1962, his holdings had a value of $33,000. Then came the decline, and his stocks fell to $12,000. He sold out at a $3,000 loss.

Case No. 3: *The person who speculated with borrowed money. Some people bought stock on margin, or with money borrowed from banks. When prices fell, they got jittery and sold.*

EXAMPLE: Mr. Brown borrowed $10,000 early last year to open a margin account. He bought speculative stocks that did well until mid-1962. When prices slumped, he was afraid to stay in the market and sold at a $2,000 loss. He is still repaying his bank loan.

Case No. 4: *Elderly folks who hold stocks for income as well as for an emergency reserve. Their dividends generally have not been affected by the market decline, but in many cases their stocks have shrunk in value.*

EXAMPLE: Mr. and Mrs. Edwards retired 6 years ago, putting $25,000 into good-quality stocks paying dividends of $1,000 a year. The stocks appreciated to $36,000 by early 1962, now are down to about $30,000. Says Mr. Edwards: "We still have a net gain and our dividends are holding up well, but we feel a little poorer than we did a few months ago."

Case No. 5: *The family with children to educate who hoped to "beat inflation" by investing a college nest egg in stocks. Some who recently started such programs have losses. Others with long-term plans show a substantial profit—but are realizing there's no guarantee the stock market will return a fixed sum at a particular time.*

EXAMPLE: Mr. and Mrs. Marks started putting $300 a year into shares of an investment fund 12 years ago. They have put in $3,600, plus reinvested dividends, and today their shares are worth $9,600. But that is $4,000 less than their shares were worth last January 1.

Case No. 6: *The company executive who thought his financial future was assured by purchase of stock under a stock-option plan. In many instances, market prices have fallen below the option price, leaving the executive with a loss instead of a gain.*

EXAMPLE: Mr. Banks had options to buy 2,000 shares of his firm's stock at $75 a share. He exercised them when the market price was $95, borrowing the money. Then came the decline, and his stock fell to $60 a share on the open market. His shares are worth $30,000 less than he paid for them — and he must pay off his loans based on the higher price.

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WHEN STOCKS BROKE: WHO LOST

groups of investors? Who were the real losers? Which ones stand to gain back part or all of their losses?

To get the real measure of the market's decline and its subsequent rally, "U. S. News & World Report" talked with many individual investors, investment counselors, business executives and bankers in many parts of the country.

In what follows, you get actual case histories of how different people made out.

Speculators. Examples are numerous of people who were badly burned in the market decline because they were inexperienced traders, or because they tried to make money in a hurry.

Take the case of a West Coast retailer who regarded himself as a clever trader. He went in for speculative stocks and financed a large proportion of his stock buying with borrowed money.

When the market crashed, this man was forced to sell out because of margin calls. He salvaged about $20,000 out of investments that had been valued at five times that figure at the market's peak.

A New York banker cites the case of a junior executive of a big company:

"This young fellow had bought some convertible debentures of an oil company. The bottom fell out of them when the market declined.

"The young man had borrowed from his bank with the debentures as collateral. Not only did he have to sell out at a loss to pay off his loan, but he had to throw in most of his liquid savings, and borrow $2,000 from his company."

Business executives. Many corporation executives who expected big gains from stock options granted by their companies now find themselves with paper losses—or with options that, for the moment, are valueless.

Some businessmen who borrowed money to exercise stock options are worse off than before.

Look, for example, at the plight of one executive who had an option to buy his company's stock at $50 a share. When the market price hit $55, he borrowed a substantial sum and paid for his optioned stock.

At the top of the market, this man's stock was worth $140 a share. The executive, nearing retirement, was comfortable in the thought that he had become wealthy.

When stocks slumped, the executive's shares plummeted back to $55. He was not out of pocket—but was no longer a rich man.

Says this executive: "I felt all along that the price of my company's stock was out of touch with reality. Had I not been an officer of my company, I would have sold. But as an 'insider' my stock sales would have been reported to the Securities and Exchange Commission. This would have looked bad to other employes of my firm, who might have thought I was 'dumping' my shares. So I held on—and now I'm holding the bag."

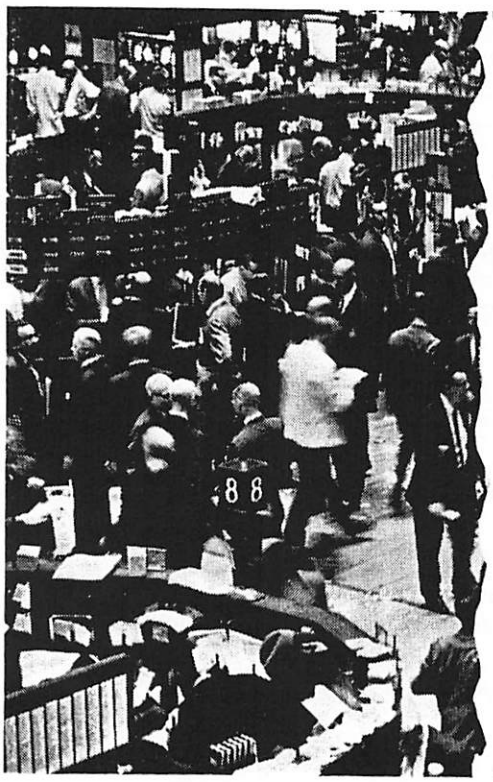
Another businessman, vice president of a chemical company, had options to buy his firm's stock at $150 a share, at a time when the market was far higher. But before he could accumulate enough cash to take advantage of the option, the market price of the stock had fallen below $150.

Even though the value of his options has temporarily vanished, this man is buying his company's stock on the open market. He says: "I believe in the company's future and I think the stock is a good long-run value at today's prices."

Typical investors. A great many ordinary people—some with only modest sums tied up in stocks—were affected in one way or another by the stock-market shake-out.

Consider the young Boston attorney who put about $12,000 into common stocks over the past six years as an educational fund for his twin daughters, now 13 years old.

"I thought I was sitting pretty last December when the value of my little portfolio had risen to $22,000," the attorney says. "I got a real shock when I



A Market Crash, Then a Rebound—

HOW STOCKHOLDERS IN 29 COMPANIES HAVE FARED

Total market value of outstanding stock, based on prices of individual shares

	AT 1959-62 PEAK	AT 1962 LOW	LATEST— SEPT. 17, 1962
	IN MILLIONS OF DOLLARS		
Aluminum Company of America	$ 2,487	$ 1,014	$ 1,320
American Home Products	2,086	1,048	1,138
American Telephone & Telegraph	33,005	23,154	26,096
American Tobacco	1,519	837	860
Bethlehem Steel	2,824	1,512	1,512
Dow Chemical	2,659	1,164	1,540
Du Pont	12,995	8,815*	11,000*
Eastman Kodak	5,239	3,271	3,904
Ford Motor	6,465	3,980	4,823
General Electric	8,838	4,850	6,090
General Foods	2,684	1,440	1,802

*Adjusted for distribution of General Motors stock. Assumes GM stock is retained by Du Pont shareholders.

checked up last July and found the value had shrunk to $17,000.

"We have another five years to go before we need college money, and we're hoping the market will come back. One thing I've resolved: If the market gets back near its former high, I'm going to salt away part of my gains in a bank account drawing 4 per cent interest."

A businessman in Detroit relates this experience:

"I belong to a neighborhood investment club, and right now our members are unhappy. Last winter, one of our group got jittery and wanted to sell most of our stocks.

"The rest of us thought stocks would keep on going up. But we compromised by putting 'sell' orders under our stocks at prices well below the market. Last January, when stocks dipped, we sold out. Then in March and April, when stocks seemed to be on the upgrade again, we bought back.

"You know what happened after that. Our stocks plunged in the June decline. What's worse, most of the stocks we bought in the spring haven't risen in the recent rally."

A San Francisco stockbroker tells of a man and wife whose joint account held $45,000 worth of stocks. Last spring, the couple asked the broker to settle a dispute. The wife was nervous about the stock market and wanted to sell. Her husband expected higher prices and favored holding on.

The broker didn't want to intervene. He told the couple: "This is a family affair. It's up to you to settle it."

The matter ended with a decision to hold the stocks. They are now worth about half what they were last May.

Says the broker: "The loss is still on paper. Most of those stocks are sound ones, and I expect them to regain most of their former value over the long run."

A New York City advertising man describes his "sheer good luck" in getting out of the stock market before the decline. His story:

"Last year I moved from an apartment into a new house, and had to raise money for the down payment. I sold a big part of my stock holdings. Mostly they were in speculative things—electronics and science stocks.

"One stock that I sold at 50 went down to 12 after the crash. Another that I sold at 42 went down to 7—and it hasn't recovered. I was just fortunate to be forced out of the market. If I hadn't needed cash, I'd have stayed in—and lost a lot of money."

A two-way street. These and other examples of stock-market losses—even though the losses often are on paper—have convinced many that the market is not a one-way path to prosperity.

The shake-out in stocks has fostered an undercurrent of uneasiness among many investors. They wonder if there is now a danger that stock prices will go through another sinking spell.

The inflation that was an important influence on stock prices in the years between 1949 and 1958 now is dormant. Deflation, for a time at least, can be a force to take into account.

Looking ahead, counselors on investments are almost unanimous in advising caution. These authorities point out that stocks are still high in terms of anticipated corporate profits.

Stocks in the Dow-Jones industrial average, for example, are selling now at about 17 times annual per-share earnings—down from about 23 times earnings at the market's peak last December. But it is still a much higher ratio than has prevailed in most of the past 20 years.

Many investment counselors are suggesting that the best stocks to hold today are those in strong, well-managed companies with a record of past growth in sales and earnings.

Most often mentioned at this time are stocks in those industries which are closely related to consumer spending—such fields as retailing, food processing, autos, banking, insurance, apparel and utilities. In addition, the advisers are stressing the importance of buying stocks for the long term.

Who should invest. One investment adviser gave this warning: "The stock market is a place for only two types of investors—the big professionals who have the skill and the resources to ride out price gyrations, and the patient amateurs who are able to wait as long as necessary for stock prices to come back after a decline. Others who buy stocks do so at their peril."

	AT 1959-62 PEAK	AT 1962 LOW	LATEST—SEPT. 17, 1962
	IN MILLIONS OF DOLLARS		
General Motors	$ 16,862	$ 12,900	$ 15,892
General Telephone & Electronics	2,530	1,381	1,514
Goodyear Tire & Rubber	1,700	969	991
International Business Machines	16,730	8,274	10,908
International Paper	1,907	1,072	1,130
Minnesota Mining & Manufacturing	4,517	2,128	2,773
Polaroid	1,006	319	529
Radio Corporation of America	1,360	718	929
Reynolds Metals	1,488	431	573
R. J. Reynolds Tobacco	3,594	1,629	1,744
Sears, Roebuck	7,161	4,461	5,567
Sperry Rand	1,020	408	425
Standard Oil (N.J.)	12,803	9,825	11,449
Texaco	7,368	5,735	7,060
Texas Instruments	1,006	208	300
Union Carbide	4,530	2,499	2,770
U.S. Steel	6,400	2,697	2,776
Westinghouse Electric	2,300	924	997
TOTAL, 29 companies	$175,083	$107,663	$128,412