

## Life Insurance Trusts

The year 1920 marks the beginning in earnest of the life insurance trust movement in America. A tremendous increase in this class of business is shown from the years 1923 to 1927 when an increase of 856 per cent is recorded. Between 1926 and 1927 a 200 per cent increase is reported, and today there is said to be more than \$750,000,000 (U. S. Currency) of insurance payable to trust companies and banks in the capacities as Trustees under Life Insurance Trusts.

Not only are men of modest means putting in trust their ten, twenty or thirty thousand dollars of insurance but also men of wealth are putting in trust their insurance policies in amounts of \$250,000 and even \$1,000,000.

This business could not have grown to such proportions if there were not sound fundamental reasons for business men to avail themselves of such service. There are several reasons and as business men learn of them, either from their business associates, attorneys, or advisors, they join with the others to swell the rising tide of this class of trust business.

The average man in any community whether he be a professional man, a business executive or a workman, seldom fails, from the time he enters business until he dies, to consult his banker in almost every business transaction. He will not purchase real estate until he obtains an appraisal of the property. The same is true with his stock and bond purchases. It is more true with respect to his securities concerning the credit of the business houses or individuals with whom he comes in contact.

Yet many of these men die leaving their affairs in the hands of those who, both by environment, temperament and financial experience, are unfit to care for his dependents. Often after a generation of time used in the amassing of material wealth, and of constantly making use of the advice of his banker in the transactions involved in accomplishing this end, he too frequently is so short sighted as to fail to avail himself of the ultimate means of protection for his family by placing his accumulated wealth in Trust with his banker.

The life insurance trust, simply explained, is a written agreement generally executed in duplicate between a person owning certain life insurance policies and a trust company as trustee, wherein it is stipulated that at the time of the insured's death, his policies which are deposited with the bank or trust company will be paid over to that institution. The trust agreement recites that the trustee thus designated will invest and reinvest the proceeds of these policies

over a period of years and will collect and distribute the income to definitely designated persons or institutions in such amounts and at such times as set forth in the agreement.

There is little difference between this arrangement and that of the "Annuity Contract," "Installment Policy" or the "Monthly Income Policy" which one may secure from a life insurance company with the exception that when the trust company is made trustee of these funds it is possible to grant it discretionary power as to the distribution of the earnings or principal. This is the one big feature of life insurance trusts that appeals to the business man. The life insurance company, in making payments

there has been created a life insurance trust.

In setting up or creating life insurance trusts it is the usual custom to make provisions for the trustee to pay a stated income to the beneficiaries, with authority to use additional amounts either for unexpected happenings, such as sickness or for specific contingencies such as the education of minor children, to be paid when they arrive at a certain specified age. Provisions are often made for birthday presents, Christmas presents, anniversary presents and for wedding presents to the children at time of their marriage. Careless tendencies of thoughtless children may be curbed by authorizing the trustee to use discretion as to the amounts they shall receive (over and above their actual re-

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under an "Annuity Contract," "Installment Policy" or "Monthly Income Policy." is bound by hard and fast rules to pay only the amounts called for in the policy at the times stipulated, no matter what the emergency might be. No discretionary powers are possible, with respect to payments of the proceeds of life insurance policies after the death of the owner of such poli-

quirements) holding back, if necessary, certain major sums until they arrive at an age of greater discretion. They may have certain forms of charity which they desire to continue supporting but time and circumstances may alter the status of some such favorite charity and discretionary power to change the beneficiary under certain conditions is often desirable.

A well known general agent for one of the large life insurance companies had the following to say in an address made before the trust division of the American Bankers' Association—

"There are many reasons for the existence of trust companies as we see it from a life insurance standpoint. We realize the flexibility in the trust, the change in the economic conditions of life.

"Suppose a man had made a will and created a trust in 1900 and should have passed away within the last ten years. The standard of living which he might have set for his family at that time would be wholly inadequate and embarrassing. Therefore discretionary power is necessary.

"The contacts which are formed with successful and painstaking business men are worth much to a widow and growing children. I am glad to know that my only son, through my creating a trust, will be able to have contact, if anything should happen to me, with such institutions and such men as are at the head of our fine banks and trust companies."

One other very important point in favor of creating a life insurance trust is the safety afforded the beneficiaries from the possibilities of litigation.

The life insurance trust takes the place of a will, in so far as the proceeds of the insurance policies are concerned, but has the added advantage of not being subject to the Probate in the Courts and it can not be contested.

While no courts of the Philippines have as yet passed upon questions that may arise with respect to life insurance trusts, we are advised by competent legal counsel that when a life in-

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insurance trust is created, the money (principal and income) may be made payable by the person executing the trust to any person or persons desired and the "laws of succession" would have no application. We are also advised that life insurance trusts are not subject to inheritance tax.

### Little Biographies of Men of the Crowd

(Continued from page 15)

as casually as he homesteaded it; the land not having come to him in the customary way, he does not look upon his patent from the government as a genuine title, and he has made remuneration for his labor in getting the land under cultivation he will pass title and move off. He likes to be among his people, and an infiltration of Tagalogs from the south—a process which never ceases—disturbs him and inclines him to move away.

Valerio is a Tagalog. What of his brothers and sisters?

There are four boys living, and two girls. One of the girls is still in school, the other is married to a man of her own class, a tenant farmer. But this tenant has saved money and bought himself a farm of four hectares; a new crop is coming on, too, and if Valerio sells his land his brother-in-law will buy it. Valerio's three brothers are tenant farmers of San Isidro; one of them works Valerio's land, and another helps their father, now too old for all the work of a three-hectare farm. The married sister has six children, with good prospects of being able to cut all of them through school. As for the old father, the boon of rapid transportation into Manila benefits such old men as he, and the young as well. It has become a very profitable and easy avocation to grow mangoes; twenty years ago this fruit brought almost nothing in San Isidro, but last year Valerio's sister sold one from one tree for P150 without the trouble of leaving her house to do so. The crop of a single tree has sold for P200; the buyers motor up from Manila, and bid for the crop, which they gather themselves, when the fruit is well set; and the new immigrants from Baliuag have taught the San Isidro growers how to smoke the trees to stimulate early bearing, while a method of fertilization sometimes induces two crops a year.

Valerio's wife has borne him two children. In reality, however, he has three; for one of his brothers has, according to ancient customary law, given him a boy now thirteen years old and in grade VI. Valerio's own boy being under nine and in grade III. The elder boy, as much

Valerio's as if born to him, was a dreamy herdboy when his father and uncle discovered that he had a mind good enough to deserve schooling; so he was given to his uncle and put to school in Manila. He sketches with skill, Valerio hopes he may become a painter; he will be given a chance in the fine-arts school.

"I live in Manila in order to have the advantage of the best schools," says Valerio. "It is hard to find money here, but I am doing my best. We don't own our own home now; we did have a house on leased land, rent P8 a month, but we sold it when we could make P250 clear. Now we wish we had it; the new owners get P40 a month from rooms rented to students, and live there besides. We may buy in one of the additions, but not until after I do something about the new land; we are saving every thing for that and the tailor shop because they will make me money. We have cut our expenses 50%."

Remember, Valerio is a barber.

### The Ikugan

(Continued from page 14)

of the Agusan. Everyone rejoiced as the flotilla sailed out of the harbor.

"The king's marriage to the lovely maiden was celebrated for several days amid great feasting; after which the king, his bride and the Ikugans passed on over the mountain and were never seen again. The old woman remained in the upper Agusan teaching the new tribes the art of dyeing and weaving.

"Some say that the lovely maiden was Tagabayo, the Goddess of Love, who assumed a human form to aid her brother, Busao, in overcoming the war-gods of the Ikugans, who were greatly weakened after her marriage to the Ikugan king.

"However that may be, thus it was that all the tribes in the upper and lower Agusan, after being nearly exterminated, once again populated this fertile valley."

The voice of the dancer died away and the slow, explosive boom of the agong commenced once again, gradually growing faster and faster. In like manner, the dancer at first moved solemnly and with slow deliberation to the rhythm of the music, then as it accelerated, he stiffened his body and whirled and leapt with ever-quickenng movements until at last he fell exhausted.

Softly the tribe crept from the dying fire to their tree houses. Sleepy-eyed boys stamned along beside their parents. Another day would find these youths fighting the battles of the Manobos.



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## Zamboanga Building Villa Tourist Place

A committee designated by the provincial governor has been busy during the past week studying the proposition to build a hotel or inn at Pasosana and develop the park as a pleasure resort in cooperation with the Philippine Tourist Association and the Manila Hotel Company.

A prospectus has been prepared and will be submitted at a meeting of the officials and businessmen of Zamboanga to be held in the Zamboanga Club next Wednesday afternoon at 5 o'clock, and all interested in the progress and welfare of their city are urged to be present.

As outlined in the *Herald* last week, the Manila Hotel Company proposes to supply half the capital necessary for the erection and operation of the inn and the Dollar Steamship Lines propose to bring the tourists to Zamboanga.

Realizing, however, that such an enterprise could hardly pay dividends for some time to come if entirely dependent upon the tourist trade, it is intended to make Pasosana park and inn so attractive that local patronage will pay all running expenses and leave a safe margin of profit. The tourist business will be "velvet." The bungalow arrangement, with numerous small cottages adjoining or in the immediate vicinity of the main building, will appeal espe-

cially to the local people, many of whom will make their homes there; and the golf course, tennis courts, auditorium, swimming pools and other attractions will make the park the recreation center of the community, all to the financial benefit of the company operating the inn.

The prospectus prepared by the committee provides for the organization of a corporation to be called "The Zamboanga Inn and Resort Co." (or any other name that may be chosen). The corporation to have an authorized capital stock of P200,000, divided into 4,000 shares of P50 each. At the present time it is proposed to sell not more than P50,000 of this stock to local people. The Manila Hotel Company will take P50,000. This will give the company P100,000 with which to construct and furnish the inn, with an ample surplus for operation and new development.

As a cold business proposition the plan should look good to investors, and in providing an ideal place for the local people to live, healthful recreation and entertainment, it cannot be surpassed anywhere in the Orient. The support and cooperation of all elements in Zamboanga is assured. —*Manitara Herald.*