

All Savers Certificates produce short-term gain

By Tom Shelton

Nebraska savers have slowed their buying of the new All Savers Certificates, a check with three Lincoln banks reveals.

The drop in sales can be attributed to a drop in the interest rates of U.S. Treasury certificates, on which the high interest rates of the All Savers Certificates are based, local bankers said.

The certificates are a major part of the Reagan administration's program of tax breaks and are designed to produce an increase in the size of the nation's savings pool, provide new funds for housing, and kick off a boom in spending for plants and equipment to help reduce America's high interest rates.

The saver certificates provide an opportunity for savers and investors to purchase certificates for as low as \$500 at some banks and produce up to \$1,000 in tax-free interest (\$2,000 for couples filing joint returns). Along with tax-free interest, they are far less expensive than money-market certificates available from brokerage firms which cost \$5,000 to \$10,000, but produce a somewhat higher yield. The interest rates of the certificates are set at 70 percent of the yield of U.S. Treasury certificates.

The certificates are hoped to increase U.S. public saving which, according to economist Stephen Thurman of Wharton Econometrics, has been declining rapidly and trails other industrialized nations.

The savers certificates became effective Oct. 1 and last until Dec. 31, 1982. Some analysts wonder if they can accomplish what the Reagan administration is hoping for.

Right Direction

Jack Morris, chairman of the Board of the Citizens State Bank said, "It's a step in the right direction. It's not the answer to the problem, but it's a step."

Morris said the answer to the problem is long-term certificates. He said the savers certificates should mature in three or four years rather than one.

He said the savers certificates should be helpful to savings and loan institutions. "They're getting a great deal of action," he said.

Morris said the savers certificates could have a positive effect on interest rates. Mortgage rates now are "not practical," he said. "It's very difficult to pay 19 to 20 percent on mortgages for 19 or 20 years on a home," he said.

Morris said mutual money funds offered by brokerages and other outlets hurt banks because they cause money to be sent elsewhere. "They're hurting our business because less money is being deposited," he said.

Morris said the number of savers certificates sold so far did not surprise him. He said sales dropped off shortly after they went on sale Oct. 1 because there was a drop in the U.S. Treasury certificate's interest rate.

Percentage drop

Alice Dittman, president of Cornhusker Bank, said sales of savers certificates went "as anticipated" and said the drop-off was caused by a 1/2 percent drop in treasury certificate rates.

"It seems to me the All Savers Certificates were a hasty measure not likely to have much effect," Dittman said.

Dittman said the savers certificates are a knife in the back for plans to balance the federal budget. She said they have caused disarray in the municipal bond market causing less revenue to be available to the government.

The major weakness of savers certificates is their short-term effect, she said. "How can you have a one-year certificate and put it towards a house?" she said.

Ross McCown, vice president of customer services at First National Lincoln, said a "flurry of activity" in buying savers certificates could occur if the U.S. Treasury rate is high next month.

He said savers certificates sold well the first three days they were available but said that buying slowed when the rate changed on Oct. 5. "We've had steady activity since then," he said.

McCown said savers certificates will give consumers an opportunity to save money on taxes, but said they were unlikely to help the farmers and the housing industry as much as is hoped by the Reagan administration.



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