Insurance Plan to Finance Municipal Course

By LEE CLARK VINSON

One of the marvels of the modern sports world is the unprecedented growth and rapidly increasing popularity of golf and it is growing faster than courses can be provided for the steadily increasing numbers of devotees of the game.

One of the big problems connected with the rapid growth is the fact that a very large percentage of it comes from people with a very ordinary income. Our private clubs with their limited membership is out of the reach of this vast group of enthusiastic players. As a result, these golfers are forced to look to their local government to provide a place for them to play.

On one hand we have the golfer who wants and is clamoring for a place to play and who cannot afford the expense of a membership in a private club and on the other hand we have a city council or county commissioners who want to provide every possible recreational facility for their constituents but whose hands are tied by lack of funds or by increasing demands for other improvements that they feel are more important.

The big question is how to bring these two groups together and make it possible to have a course at the minimum of expense and effort on the part of both parties. The key to the situation is usually the matter of finances for the construction of a golf course costs considerably more money than is usually required for similar facilities for other sports.

There is a way that this problem can be taken care of by the golfers, themselves, taking the situation into their own hands and promising to provide the necessary funds for the purchase of the land and the construction of the course if the municipality, under certain conditions, will agree to take care of its operation. This can be done without its being an undue drain on the finances of either the golfer or the community.

The Columbian National Life Insurance Co., some 25 years ago, developed a plan that takes care of such situations. The plan has been used by hundreds of institutions of all kinds all over the country and has now been adapted so that it can be used for the financing of golf courses and similar community recreational projects. Through the use of this plan the matter of financing a useful recreational project such as a golf course can be taken care of.

The first consideration under this plan of financing will be the golfer — to make it possible for him to lend the money needed for the purchase of the land and the construction of the course, and at the same time be sure that he has a safe and profitable investment. To assure him of the safety of the investment, he would receive a pro rata share in a mortgage on the golf course property. This mortgage would be for protection only, for it would not bear interest.

The next step would be to set up a sinking fund so that the loan made by the golfer could be paid back plus a profit of 50 per cent. The most economical form of a sinking fund that there is, can be found in the use of life insurance. Each person lending money for the purchase of the golf course would be given a 35 year endowment insurance policy. This policy could be placed on the lender's life or on the life of any one that he might designate. The policy would be for 50 per cent more than the amount of the loan that had been made by the golfer. This 50 per cent profit would take the place of interest on his investment.

The golfer is not buying insurance — actually he buys a portion of the mortgage on the golf course. The municipality, through the Trustees, takes out the insurance policy on this golfer's life as a means of accumulating the money needed with which to pay the debt. Insurance is used as a means to an end.

To make it easier for the golfer, he could pay his loan on the installment plan at the rate of 10 per cent down and the balance at the rate of so much a month over 60 months, if he wanted to take that long, or he could pay cash if he so desired. If the lender is in good health, the insurance company does not ordinarily require a medical examination for policies issued in connection with this plan.

Golfers Appoint Trustees

In order to handle this plan in a legal and businesslike manner, Trustees (either personal or corporate) are appointed by the golfers to act as their representatives and to administer the operation of the plan and to arrive at an ageement with the municipality in regard to the operation of the golf course. This is accom-

plished through the medium of a Trust Agreement.

This Trust Agreement is a legal contract between the golfers on one hand who are lending the money necessary for the purchase and construction of the course and the city which will agree to operate the course and out of the receipts obtained from its operation will agree to pay the premiums on the insurance policies.

The city will agree to do this with the understanding that when the premiums have been paid in full, the city will then own the golf course. The course will have cost the municipality little or nothing for the income from its operation should be sufficient to pay the premiums and cost of operation.

Experience has shown that the premiums on these policies usually aproximate about 5 per cent of the amount borrowed for the first year and over the 33 years that they are payable, they will average about 3 per cent. This means that the city has all of the advantages of a long term loan without the burden of heavy interest charges that can amount to a very considerable sum of money over the years. Under this plan the amount paid out in premiums will never amount to more approximately than the amount borrowed.

Can Take 33 Years

The municipality can take as long as 33 years, if it so desires, in which to pay the premiums on the insurance policies, however, as the golf course prospers and there is a surplus left in its treasury at the end of a year, it can take this money and pay up the premiums in advance on a certain number of policies at a discount. By so doing the municipality would not only be getting out from under the necessity of having to pay interest on the money borrowed to pay for the course but in this way it can discount the principal of the debt.

To illustrate the above opportunity, some years ago the Country Club at Piqua, O., refinanced a debt of $31,000 under this plan of financing. The club prospered and a few years after, it was able to pay up the premiums in advance and so got rid of the debt at a total cost to the club of only $27,125. The subscribers who had originally loaned the $31,000 to the club received paid-up insurance policies to the amount of $46,500. In California, the San Diego Club refinanced a debt of $175,000 just before World War II. The war came along and the club prospered and by paying up the premiums in advance, it was able to get rid of this debt of $175,000 for a total cost to the club of only $162,000.

In actual practice, the plan would work as follows — John Doe agrees to invest $1,000 in a pro rata share of the mortgage on the golf course property. In this case he pays cash. In return, he receives the ownership of his part of the mortgage and in addition he receives a 35 year Endowment Insurance Policy for 50 per cent more than the amount of his investment. In his case, he has the insurance placed on his own life. A year from this time, he has the misfortune to get into an accident and is killed. He has made his wife the beneficiary. She now has two things that the Trustees want, the pro rata share in the mortgage and the insurance policy for $1,500.00.

Immediately upon notification, the insurance company would send the Trustees a check for the face value of the insurance policy. In this case it would be $1,500. The Trustees would hold that check until Mrs. Doe came in and surrendered and cancelled the insurance policy and that share of the mortgage. When she did this, the Trustees would then turn over to her the insurance company's check for $1,500. This would mean that she would get back the $1,000 that her husband had invested in the golf course mortgage plus a profit of $500.

By her cancelling the insurance policy and the share of the mortgage, the debt on the property would be reduced to the amount of $1,000. As John Doe only lived a year in this case, it only cost the Trustees one year's premium in order to get rid of $1,000 of its debt and next year the Trustees would have one less premium to pay.

The Insurance policy is a standard policy.

The principle back of this plan is just about as old as insurance itself. It is the principle of an insured loan. Under an insured loan I borrow money and then take out insurance to the amount of the loan so that in case of my unexpected death, the money received from the insurance company will be there to pay the debt. Under this plan, insurance is used as a means to accumulate the money needed in order to pay a debt.

Western GA Publishes New Caddy Book

The further development of golf and the citizens of tomorrow through extensive caddie programs are the general themes of the latest booklet published by the Western Golf Assn.

All phases of the caddie program, from recruiting and training to qualifications for an Evans scholarship, are described in the manual which should be a must for any club's caddy committee.

The book may be obtained by writing the WGA, 8 So. Dearborn St., Chicago 3.