(*To the Editors of the* Journal of the Institute of Actuaries)

SIRS,

It has been pointed out to me that there is an error in the example given in my paper "The Yield on a Cumulative Sinking Fund" (*J.I.A.* Vol. LXV, p. 229). Income Tax does not affect the rate at which successive repayments of capital increase. Hence in calculating t we should use the *gross* value of g and the *net* value of i. When referring to the table of Bond values of course we use the *net* value of g. Thus in the example given, still assuming that i can be taken as ·025 approximately,

$$t=\frac{42}{2}+\frac{42\times 44}{24}(\cdot 08-\cdot 025)$$

$$=21+77\times\cdot 055=25\cdot 24.$$

Adding half a year we obtain 25·74, and to be on the safe side we refer to 25·5 years in our table of Bond values at 3%, obtaining the net yield at the price of 110% of £2. 9*s*. 4*d*.%, equivalent to a gross yield, with tax at 5*s*. in the £, of £3. 5*s*. 9*d*.%.

It is worth noting that though the last drawing of Victory Bonds will take place in 1976, yet the amount drawn then will be so small that it would be better to take $n=1975-1933=42$.

I am indebted to Mr W. L. Crick for the correction.

I am, Sirs, etc.

A. W. JOSEPH

WESLEYAN AND GENERAL ASSURANCE SOCIETY,
STFELHOUSE LANE,
BIRMINGHAM