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# Pandemic Workplace

In a recent newsletter, we discussed the advantages and drawbacks of working from home (WFH). The article also focused on the expansion of that arrangement, and why an employee or employer would choose it. Many aspects of current WFH, or "remote work," remain similar to those of a year ago. So to a degree, this revisit is redundant. Yet the sudden intrusion of the coronavirus, introducing what proved to be a lengthy pandemic, has significantly changed the nature of remote work.

According to Gallup, in late February of 2020 approximately 39% of American workers had either flex time or remote work options. Within 2 weeks, in mid-March, that estimate had risen to 57%. With the panic of a viral threat, work settings changed overnight. Many employees lost jobs while many others were quarantined at home. Both employees and management had to adapt rapidly and without argument, so it was no longer a matter of why they *chose* WFH. For many workers suddenly isolated at home, WFH fell into the larger undesirable category of skipping movies, avoiding bars, evading friends and wearing masks.

With that transformation, the advantages and drawbacks were altered. For some employees, even the prior benefits of WFH lost their rewards. Not having to commute or work in an office setting greatly suited most WFH employees, but in the pandemic, the setup was difficult for some. Earlier, an employee could save the time, money and stress spent on commuting. He didn't have to endure the aggravation of a public workplace: interruptions by colleagues, being unable to blast his tunes, wardrobe requirements and the rest. He could work flexibly according to his own needs, arranging both personal and work appointments as he wished. That freedom also allowed some workers to invest time in an additional business. And, of course, job opportunities were more numerous given the lack of geographical restrictions.

For many who chose working remotely, things changed for the worse. The same was true for those who had never desired WFH. They may have preferred the structure and associates offered by a workplace, as a welcome daily alternative to home. In the pandemic, home space changed suddenly and substantially. Families occupied the home 24-7. The WFH employee lost most aspects of his contentment. His partner who valued leaving home for employment also gave up work satisfactions. Basically, the pandemic shifted the location of people, making everyone adjust, like it or not. Homes with other residents became more crowded and noisy, requiring mutual cooperation. Homes without others, now isolated, became lonesome. One way or another, from job loss to relocation, to altering the home workspace, the pandemic greatly affected the experience of work.

Corporate managers had to quickly reorganize nearly everything about their business: employees? Who and where. Business settings? Furniture arrangement, hand and equipment sanitation. New office directives? Rules suitable with a coronavirus environment that kept up with fast shifting government and science opinions. Work management of a scared, stressed and dislocated staff was perhaps the toughest challenge. Presumably, workers in the office or at home before the sudden chaos, performed their jobs adequately, but the circumstances had changed for nearly everyone. ZOOM meetings were established to ensure group collaboration and consistency. Some companies tried to offer a "virtual office" with virtual coffee breaks or an online watercooler channel. These

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# Pandemic Workplace continued

replicated work patterns were most appreciated by employees who were newly working at home and were used to personal contact with colleagues.

One difficulty directly tied to the pandemic is confusion in 2021 filing 2020 taxes. Working from home isn't a tax problem in itself, but it becomes challenging when the employee, used to commuting to another state, suddenly works remotely from home. *Moving* to a new state involves changes in tax withholding, as well as filing in both states. However, there is no argument about where you work. Yet consider the employee who resides in Connecticut, has been commuting to Boston for work and suddenly must work remotely from home. Rules vary, even triggering lawsuits among states.

In spite of the turmoil of the workplace in the pandemic, prior job force trends persist. Some people who had worked from home during the pandemic adjusted to the new situation, finding ways to make it work. The number of workers preferring WFH was on the increase before 2020 and continues to grow. Corporate leaders who came to manage remote employees successfully, realized that maintaining the option for workers had certain benefits. Most practical is the possibility that viruses may come and go in the future, making WFH arrangements necessary.

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# SEC The Big League

If you ever scour our newsletter, down to the fine print, you may have noticed a recent change in our registration. While last year Assabet Advisors was registered with the Commonwealth of Massachusetts securities division, we now are subject to the oversight of the SEC. We have moved from the state to the federal government! Regulation of a Registered Investment Adviser (RIA) is a critical function. Our clients depend upon regulatory agencies to keep our operations tidy, effective and within legal bounds. For Assabet Advisors, hours spent attending to voluminous regulatory requirements keeps us calm, confident and in business.

What difference does it make for our clients and for us where we register? First, the requirements are equally challenging. We don't work any harder or have greater anxiety responding to the SEC. Here's how we know: a few years back, we were registered with the SEC. We were moved back to the state in 2012, not as any sort of reprimand but because the standards for SEC registration were changed by the Dodd-Frank Act and by SEC rules. Those standards are measured generally by the amount of assets under management (AUM). To give you a sense of the prestige of RIAs of different sizes, note that SEC literature in 2017 referred to advisers managing less that $25 million as "small," those with $25-$100 million as "midsize," and advisers with more than $110 million under management as "large." So, with approximately $120 million in AUM, we're a "large" RIA, along with the other approximately 57% of SEC-registered firms with between $100 million and $1 billion under management. We're in the big leagues.

Assabet Advisors has a history of steady client growth over its 18 years. Surpassing the $100 million altitude was very gratifying, for the business incentive and because most RIAs don't meet that goal. Benefiting from a sound and broadening reputation, we aim to continue to grow through referrals. In this business, helping interesting clients maximize their portfolios, and having sufficient time to become acquainted with them, is extremely rewarding. We value being able to offer consulting time for clients with special queries. As we grow, we will continue to look for that balance.

"2019 Evolution Revolution report", Investment Association and National Regulatory Services.

## OUR RECENT READING consult www.goodreads.com for reviews

**Wayne**: Get Your Ducks in a Row: The Baby Boomers Guide to Estate Planning (2020 Edition) Author: Harry S. Margolis. This is a practical reference for readers who need the fundamental information required to create an estate plan: basic terms, major documents, answers to key questions, etc. Wayne reports that it's a comfortable read for people of most knowledge levels. Readers can skip chapters which don't apply to them, without losing value.

**Robert**: The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War, edited by Robert B. Strassler. For decades, students have studied Thucydides' history of the Peloponnesian war, a 27 year battle between Athens and Sparta in the 5th century BC. Robert Strassler's edition, which includes numerous maps, footnotes, appendices, illustrations and marginal notes, has received favorable reviews by readers willing to focus on details in the lengthy tome.

# Economic and Financial Overview

The stock market offered healthy positive returns during the first quarter, in both the U.S. and in non-U.S. equity markets. The S&P 500 (Standard & Poors 500 Index) had a return of +5.7% while the DJIA (Dow Jones Industrial Average) produced +7.76%. Developed international equity markets grew by +3.48%, followed closely by emerging market equities with + 3.14%. Both here and abroad, returns were encouraged by growing economies in the prior year, and by optimistic expectations for this year's economy, motivated by fiscal and monetary stimulus. The persistent accommodation policy by the Federal Reserve, plus strong fiscal policies, together have encouraged stock performance and positive economic expectations. Covid-19 vaccine distribution and business reopenings also heighten anticipations. In the U.S, REITs and commodities led first quarter performance. Since the February 20, 2020 market peak, growth stocks outperformed in all market levels. But value stocks, long-term laggards, have been up in small and mid-cap markets since the March 20, 2020 market low.

With price/earning stock valuations at historical highs, and with dynamic economic growth, many analysts caution that short term market returns can be led by psychology rather than fundamentals. Rising inflationary pressure, as the Fed lets inflation go beyond the target, may incite considerable market volatility this year. Already, manufacturing purchasing manager and small business surveys have reported price increases and inflationary stress. Others report problems in supply chains, and widescale shortages. Sensitive to century high levels in inequality in both wealth and income, the Biden administration is promoting a progressive tax system, as well as social spending to support infrastructure plus low- and middle-income workers. Unemployment has been reduced but remains far above levels before the pandemic.

The U.S. Treasury bond yield curve steepened as the Fed kept short rates near zero. With rising yields, bonds struggled. Barclays Aggregate Bond had a negative return of –3.37%. High yield corporates, more responsive to economic change, performed best.

# Janet Yellen Takes a Stand

On April 5, Janet Yellen made her first major address as Treasury Secretary by proposing a global minimum corporate tax rate. If successful, it is hoped to greatly increase U.S. tax revenues without putting American corporations at a competitive disadvantage, and it would help to fund President Biden's $2.3 trillion infrastructure proposal.

A minimum corporate tax rate across international companies, attempts to even the playing field. In what Secretary Yellen calls a "race to the bottom, on corporate tax rates," certain countries have reduced their tax rate in order to attract business, thus enhancing the size of their own tax revenues. And accordingly, some multinational corporations have sought to shift their profits to these low-tax havens. As a result, international corporate tax levels have been falling. Excluding countries that benefit tremendously as tax havens, an accepted global minimum is favorable for most nations. With it in place, countries with relatively high corporate taxes can continue to set any local tax rate they choose. However, if companies pay less than minimum in a certain country, their own home government is able to "top-up" the taxes they pay to the agreed minimum tax rate.

It's not a new idea, but one discussed by international groups for some time. The Organization for Economic Cooperation and Development (OECD), some 140 companies including the U.S., has long sought to build an international tax plan. But this recent proposal celebrates a U.S. ready to work with allies in a multilateral effort. The OECD and the G20 countries, of whom Yellen is an associate, anticipate that general agreement on the global minimum tax rate will be reached by mid-summer. However, accord on the tax *level* will be tough to achieve. Countries have varied interests. The U.S. will vie for a minimum of 21% yet the Republic of Ireland, for example, has prospered by attracting foreign nationals to their much lower 12.5% corporate tax rate.

A global minimum tax rate is just one corporate tax adjustment for which President Biden is eager. Revenues from domestic corporate taxes have fallen over the past several decades. Whereas before the 1970s, many corporations paid a substantial percentage of their profits to the federal government, corporate tax rates have been cut, with support from both parties. Cuts have been extreme, most recently from 35% to 21% in 2017, leaving the U.S. corporate tax revenue below that of most advanced countries. In 2020, at least 55 sizeable companies paid no federal income tax at all. As the primary equity owners of companies, the greatest tax burden of many extremely wealthy citizens is corporate tax. Thus, declining corporate taxes has served to enlarge the incomes of the very wealthy, and to reduce federal tax revenues. As Yellen said, "It is about making sure that governments have stable tax systems to raise sufficient revenue to invest in essential public goods and respond to crises, and that all citizens fairly share the burden of financing government."

Richard Rubin "U.S. Aims For Global Minimum Corporate Tax Rate," WSJ, 4/6/2021, L. Thomas & D. Lawder, "Explainer: What is a Global Minimum Tax?" reuters.com, 4/7/2021, "Janet Yellen calls for a global minimum tax on companies. Could it happen?" economist.com. 4/6/2021, D. Cole & J. Wright, "Yellen calls for global minimum corporate tax rate in first major address," CNN.com, 4/5/2021, J. Kaplan. "Janet Yellen wants a global minimum corporate tax rate," msn.com, Business Insider. A. Rappeport, "Yellen calls for a global minimum corporate tax rate," NYTimes.com, 4/5/2021, D. Leonhardt, "A dirty little secret," NYTimes.com, "The Morning," 4/8/2021

# Scam and Sorry

We all hate losing money, whether in a market dive or by misplacing a wallet, or through any other unintended loss. Large amounts obviously outweigh minimal sums in emotional impact. However, the anguish of being conned overshadows most other financial losses, because scamming ignites so many sensitivities.

Being cheated taps numerous emotions, as it takes advantage of individual vulnerability to fear, loneliness, and greed. Also, by exploiting individual weaknesses such as carelessness, naivete and technical ignorance, being conned generates shame.

While the classic image of the financial scam victim is a senior age woman, apparently 40% of online fraud victims are millennials aged 20 to 29. Only 18% of those who lose money online are 70 years old or more. The average loss of the losers 70 and above, is $1,092 while the average millennial loss is only $400. Of course, older citizens generally have more to lose. Quite possibly, young adults, and not seniors, are drawn to online scams.

There is likely a pattern, in which different categories of scamming victims respond to scams of certain natures. Different types of vulnerability lead to different scams. For example, the deceptions of Bernie Madoff's victims, who tended to be relatively sophisticated and affluent investors, and familiar with personal investing relationships, reached into the millions of dollars. That category has included many scams in which the type of fraud and the type of victim were similar. The same group probably would not be cheated by the Nigerian Scam, a truly ancient con which appeals to those who are naïve, somewhat greedy and willing to help others in need. Victims are asked to transfer money, for which they'll receive a large payment.

Fear is at the heart of many successful scams which often target older women living alone. The swindler tends to contact the target by phone, and immediately threatens the prey with a startling warning. It might relate to the trouble with the IRS, Social Security, computer technology, or anything which the responder doesn't fully understand but views as critical. The speed, the threat itself, and the absence of a partner with whom to discuss the call, combine to produce growing panic and to effect the rip-off. Note that we are not all subject to the same fears. People sophisticated concerning government practices laugh when told to call their lawyer immediately. But they may have not a clue when it comes to their technological equipment. Yet scammers live by volume. Thousands can hang up on them and they still profit.

Scammers are creative, updating their strategies with up-to-date knowledge and expertise. They also take advantage of current social concerns. The Coronavirus, for instance, has offered many phony appeals to fearful people including websites that market masks and hand sanitizers and the like, and critical COVID-19 safety information. The pandemic pet shortage gave opportunities to cheat lonely people by selling them loving creatures who never arrive.

Loneliness also spurs the second most profitable type of scam: Romance, with an average loss per scam of $6,003. Sweetheart scams frequently commence in online dating sites. The scammer invents an attractive profile and gradually stimulates a desirable relationship. When the time comes for the lovebirds to meet, the gentleman needs to borrow money for the trip, or some other necessity. Usually, more needs follow, and once she is in too deep, it can take a while for her to face reality and quit.

Greed for money leads to investment scams. With an average loss of $8,648, investment scams are the most profitable category. Being scammed by an investment that appears reasonable and normal does not have to be caused by greed. But greed does tempt people into excessive financial risk and even scams that are somewhat bizarre or outside of the law.

Many of these scams seem absolutely ridiculous when described briefly. However the real life experience is far more comprehensible. Professional scammers know what they're doing. You may be immune to most scams. But victims of the "CEO scam" and of Bernie Madoff are not stupid people. It's just that some scammers are very smart, and hit you when your guard is down and your particular vulnerability is exposed. Scammers never sleep. During the time I completed this article, I've identified 7 different scams visiting my email and phone.

Eleanor Cummins, "The Nigerian Price scam…" 3/4/2020 "Nigerian prince email scams…" MeganLeonhard@LEONHARDT.com, 4/18/2019. Alison Deutsch, "Watch Out for These Top Internet Scams," 3/15/2021. Bob Sullivan, "The Perfect Scam," podcast, AARD.ORG, Joseph T. Wells, "$65 Billion Stolen by Madoff? Not Hardly," ACFE.com, "Top Online Scams Used by Cyber Criminals to Trick You," heimdalsecurity.com, 5/15/19