notes from the Assabet

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Alma mater

Some of our readers never considered skipping college. Four years in a private or public school, followed by graduation with a BA, was a given. If they earned their degree 4 or 5 decades ago, this group probably could manage the costs of tuition, fees, room and board, and likely those were met by their families. But for many prospective students in our current era, college experience is such a challenge, simply to enroll and get through, fewer people are going to college. Enrollment had grown considerably, starting some 6 decades ago, only to have what seems to be a small but notable decline today. In the same period, the cost of college tuition and fees has skyrocketed.

Over the long-term, from at least the 1960s and 70s, college attendance became notably more widespread. More jobs required a college degree which offered a significant wage premium for college graduates. The Vietnam war, along with the draft, made colleges a "safe harbor" for a while. The ratio of enrolled college age people has varied somewhat over the years. Some researchers note that it tends to fall when the economy underperforms and jobs are scarce, but increases when there are good income opportunities. Certainly the types of colleges (4 year, 2 year, and for-profit schools) and the socioeconomic, racial and gender status of students, determine different patterns. But overall, the portion of college age Americans who have enrolled has enlarged steadily, until the past few years.

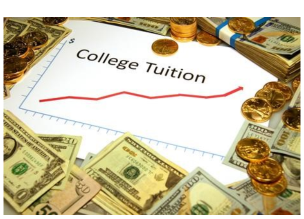
National student enrollment grew from ~2.7 million in 1950 to ~7.9 million in 1970, when higher education was no longer considered simply for education's sake. By then, a college degree was perceived as the "golden ticket" for the middle class as it earned the student a middle class identity, and merited for that person a middle class job. By 1990, there were 13.5 million enrolled students, and nearly 20 million in 2020.

As college enrollments grew, the economic context changed as well. Beginning in the early 1970s, income disparities, between high and low income levels, began to widen. By 1980s inequality had risen from an earlier stability. Middle and lower class wages did not keep pace with higher incomes at top levels, particularly as the importance of the financial sector increased. And while the depth of middle and lower class income growth fell, college costs climbed. By1980, potential students, and likely their parents, debated the value of investing in a college education. The question "is it worth it?" has remained to this day as students watch their burdensome loan debt.

Note that the "value" of college costs (the gap between those costs and the job income benefit) is measured in large by the type of graduates. The "value" is not equivalent among all students. Degrees from the top class of schools lead, in general, to greater positive income gaps. Value also varies according to gender and college major.

Since the 1970s, women have outnumbered men in college enrollment, in part because well paying jobs without college credentials have been open to men. But women earned 57.4% of bachelor degrees in 2019 and they have yet to receive an equal income "value." The pay gap between women and men, despite similar degrees, experience, skills, race, and working within the same occupation, remains unbalanced. In fact, when women move into male work roles, pay levels drop. The reverse is true.

The "value" question has been motivated by a steady rise in college tuition costs. Some examples: college tuition and fees rose 1198.9% from 1980 to 2020 while total items in the CPI rose only 231.82% in the same time. In 1978, Congress passed the act sponsoring Pell Grants. Many students applied for the financial aid...colleges raised tuition fees accordingly. College costs are the second highest expense after a house. Currently, the US cost for tuition plus fees are the highest in the world. Eight European countries, plus other nations, offer free college education for public institutions.



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Alma Mater continued

People sometimes advise friends that college costs would be significantly less if their child would enroll for 2 years in a community college, before transferring to a 4 year school. That's true. However, rising tuition and fees may be beyond the reach of many families, as well as presenting a serious predicament for many colleges. The costs of running a college have inflated mainly in the field of administration.

When the pandemic moved students to online courses, colleges lost millions of dollars in revenue from sports, campus dining rooms, and dorms. But declines in enrollment started prior to COVID-19 and continue still. Private colleges which depend primarily on tuition and public funds for revenue, work hard to get an adequate and fitting enrollment. Funding from state tax revenue has reduced in recent years. Today, tuition must supply about one half of a college's needed revenue. Earlier, tuition had to furnish only 25% of the school's revenue as state and local government provided much more. Private colleges produce revenue largely from tuition, generally much higher than that of public schools, and also from endowments. Attracting enough students to provide a sufficient amount of tuition and other funds is particularly essential to keep smaller colleges alive. While the most selective colleges and universities have candidates lined up to enroll, more minor institutions can't be competitive. If they spend on modern facilities, they need greater tuition to pay for that, and higher tuition is a certain detraction.

For many reasons, skeptical attitudes about the "value" of a college degree has maintained the "enrollment crisis" in 2022.

"What factors are driving rising college costs?" Nina Cham Lou, affordablecollegesonline.org 1/14/22. "As Smaller Colleges Close, Competition Increases," Jenny Lea Reed, fa-mag.com, 5/1/22, "History of College Education," A. Carnevale, M. Fasules, ProCon.org, 1/14/21, "Men Fall Behind in College Enrollment," Kevin Carey, NYtimes.com, 9/1/21,"How much has college tuition increased in the last 10 years,?" Imed Bouchrika, research.com, 3/3indicate/21, "The Rising Cost of College in the US Govid Bhutado, visualcapitlist,com, 2/3/21, "Why college tuition keeps rising,"cnbc.com, 10/24/19, "US College Enrollment Hits Two-Decade Low in 2020," Alexander Tanzu, Bloomberg.com, 4/27/21. "Why are fewer people going to college? Simone Pathe, PBSorg, 9/29/14, R. Lake, "How Colleges Make Money,"4/4/22.

A House: Not Just a Home

Biologists are familiar with the term "punctuated equilibrium." It defines a theory affirming that after lengthy periods of stability, a sudden and significant occurrence may cause rapid variation in an organism. An article from Fidelity, "The Future of Housing," uses that term to characterize the abrupt change, caused by the Pandemic, in how we use and experience our homes. They state that the "punctuation" in our behavior and choices is attainable because of the technology already available.

The most obvious illustration was the temporary transfer of millions of people from their regular workplace to their homes. The relocation of employed workers, school children, and college students have led to a new home environment, enabled by restructuring and digital tools. In all three cases, some attachment to the new ways to work have remained. Interest in education technology has at least begun in elementary schools. Some older students prefer to continue with the online, off-campus, and less expensive college education. And a majority of working adults prefer the opportunity to work remotely supported by digital technology. Meanwhile, some homes are being customized to include serviceable office space and technology.

The pandemic also brought other needs into the home. Social and recreational video games, US streaming videos, broadband devices, and global platforms such as Roblox have increased in use, especially with technology to bring together people who are isolated at home.

The proportion of nursing home COVID deaths has significantly encouraged older people to age in home. The "telehealth" medical treatment, smart home sensors, wearable technologies and other senior protection devices, have increased the safety and pleasure of seniors at home.

When locked up by the pandemic, people started to locate and date online, becoming potential partners through video conversations. Some hopeful people continue their search beyond lockup at home as they search for a desirable companion.

Some of these changes might have occurred without the pandemic. However, they likely would not have occurred so rapidly, or affected the home so dramatically.

From "The Future of Housing In a post-pandemic, digital-first age, the meaning of home had forever changed." Fidelity Center for Applied Technology, 5/3/2022

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Wayne

Robert

Economic and Financial Overview

Beginning in March 2009, we enjoyed a prolonged bull market. The lengthy period included 4 cyclical bear markets, followed by recovery. In the final few bullish years, some investors came to assume persistent positive stock results, even in spite of the pandemic crises. Others became nervous that such extended returns might be too good to be true, and a collapse was probable.

Familiarity with the history of bear markets offers analytical skills, but not the certainty of what's ahead. Much depends upon investors' expectations concerning the strength of the economy, and their patience with how successfully policymakers cope with inflation and interest rates. In the first half of 2022, international countries also struggled with economic risks. Central banks tightened aggressively as European stocks declined. China suffered the worst virus outbreak since 2020. Ukraine continued in the battle with Russia, and several countries have experienced serious political challenges. Our own political anxieties also contributed to investors' perspective. The U.S. Consumer Confidence Index declined in both May and June, as did the Expectations Index.

Responding to inflation's rapid climb in the start of 2022, the Federal Open Market Committee raised interest rates steeply during the first half of the year, with 25 basis points in March, 50 bps two months later, and 75 bps in June, hoping that intense hikes would slow down inflation without provoking a recession. In late June, Jerome Powell's public concerns caused alarm. Considerably worse than in the first quarter, market returns were negative again in the second quarter. The S&P 500 dropped by –16.1%. Also in Q2, the Russell 2000 small-cap index lost –17.2% , and the NASDAQ 100 was down –22.3%.

For all the valid fears, we are judging the future by a backwards look. Some analysts anticipate a lengthy and painful bear market. Others believe that we have already reached inflation's peak. They are not convinced that this decline marks the end of the long term bull market. Housing is still fairly strong despite rising mortgage rates. Unemployment remains low. While some companies are badly hurt by the inflation, others have been able to pass on cost increases. Many Americans are suffering from the costs of food and gas, yet consumer spending is still alive. Since Q2, stocks have fluctuated, not plummeted. So we watch and wait because we don't know for sure. Jurrien Timmer, from Fidelity, warns us that selling assets into a bear market "is almost never a good idea."

Home Sweet Home

Purchasing a home can entail either good or bad fortunes, in financial terms, mostly depending upon timing. Prospective homeowners set their schedule within narrow boundaries prompted by such things as the schools' summer breaks, starting out at the new job, or managing the sale of their current residence. If everything remains stable, and consistent with the buyer's expectations, all is well. However, among the most damaging alterations are unanticipated rises in interest rates and home prices. And because abnormal incidents may occur, those alterations may come by surprise. That has been the recent case for hopeful home buyers who face sudden obstacles in their search.

Given the flood of home sales during the pandemic, the number of existing homes for sale became close to a major low. Home prices rose accordingly, possibly to decline if the market continues to drop. Less than a year ago, prospective buyers saw mortgage rates at comfortably low levels, and used those numbers for their own home purchase plans. But since then, the cost of mortgage rates has surged with unusual rapidity beyond the below-3% loan expectations of buyers.

While mortgage rates have climbed above 5%, another unforeseen snag has occurred for prospective owners of new homes, who represent more than 10% of U.S. home buyers. Uncertainty caused by speedy rate increases is multiplied by the long delays in construction caused by slowdowns in the supply-chains. Timing is unreliable, possibly putting off home closings for months. This is a serious risk when purchasers have already signed contracts, and given deposits as mortgage rates rise. If the latest approximated mortgage rates significantly exceeds the initial early estimates, the purchaser has several options. They may adopt the risk of an adjustable-rate mortgage. They might be able to pay builders for a lock-in rate, at a price in excess of the prevailing rate. Or, overwhelmed, they might back out of the deal, even if they had to sacrifice their deposit.

Some interest rates are rising beyond the level at which buyers can maintain qualification for a mortgage. Some of those buyers pay down, or even refinance other debts to meet new qualification standards. Whatever the individual challenges, many home buyers, particularly those aiming for new homes, have suffered from the obstructions of rapid interest rate hikes, continued high home prices and a scarce inventory, and inflation, the highest in 4 decades. Purchasing a house is always a stressful project, with disappointments and adjusted plans along the way. But this is a particularly volatile and confusing time. Extra "best wishes" to all those looking for and hoping for the right house, at the right price.

"Supply of homes for sale in US hits lowest level in more than 2 decades," Alex Veiga, LAtimes, 1/28/22, "US Home sales Cool Amid Higher Rates, Record Prices," Nicole Friedman, wsj.com, 5/19/22, "They Signed Contracts for Their Dream Homes Last Year. Now Their Borrowing Costs are Ballooning." "US home sales continue to stumble while mortgage rates keep climbing," Alex Veiga, USAtoday.com, 5/19/22.

Wisdom and Wealth

Boston's **South End Seniors** recently collected some valuable timeworn words of wisdom. These words likely are familiar to you, and can relate to any number of plans or activities. Sometimes our personal money management can veer towards desperate and "creative" decisions. Speculating in novel investments, and replicating the intriguing financial venture of our risk eager pal, can lead us far from wisdom. In these days of extreme volatility and insecurity, old-fashioned level-headed guidance might offer the best defense for your savings. Rather than being affected by our current anxieties, perhaps we should be inspired by some simple wisdom of our grandparents or teachers.

Managing assets takes **COURAGE.** Don't fearfully avoid investing when the markets are negative or volatile. Make some reasonable decisions and jump in.

He who hesitates is lost.

What doesn't kill you makes you strong.

You can't win the hands you don't play.

You can't make an omelet without breaking a few eggs.

You need **PATIENCE** to produce returns. Stocks won't perform right away.

Mighty oaks from little acorns grow.

Good things come to those who wait.

A penny saved is a penny earned.

The best time to plant a tree is 20 years ago. The second best is now.

Your investing needs a long term **PLAN**. Don't see each move as individual. They work together.

Look before you leap.

Don't throw the baby out with the bathwater.

Fast, cheap, good, you can have only 2 at once.

You can't have your cake and eat it too.

Don't just hope for random riches. **WORK** to assemble investments that should prosper together over time.

All that glitters is not gold.

Pride goes before a fall.

If wishes were horses, beggars would ride.

Genius is 1% inspiration and 99% perspiration

Let your investments reflect your **VALUES**

Happiness is not in the mere possession of money: it lies in the joy of achievement, in the thrill of creative effort. FD Roosevelt

Happiness is a place between too little and too much. Finnish proverb