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# Games On

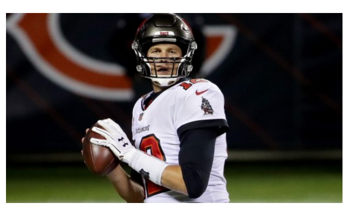
If you're not much of a sports fan, perhaps all you can contribute to a conversation about baseball, basketball or football is outrage at their enormous salaries. After all, you figure, how could playing a game be worth, say, 400 times a teacher's income! Just scan reviews of the last year's 10 or 25 highest-paid athletes in major U.S. sports. You won't pity NBA hero LeBron James' income of $31.5 million, especially when you realize that's only the on-field revenue. His total annual earnings, including the off-field profits from endorsements or business ventures, was $96.5 million. NFL Tom Brady's on-field gains equaled $45 million, and was expanded by $31 million off-field. Top MLB stars aren't left behind. Yankee Pitcher Gerrit Cole is guaranteed an annual $36 million in his 9 year contract.

New contracts of such magnitude make the headlines. Some ardent fans are elated that their idol is so celebrated. Yet the phenomenal earnings trigger disgust from others. So do the individual stories about players who carelessly squander huge amounts of money. Shaquille O'Neal tells the tale on himself about his first shopping spree with sudden wealth. A million dollars probably seemed infinite to the young man who grew up poor in Newark, New Jersey. But in a single day, having purchased flashy cars for himself, and for both his mother and father, as well as an assortment of jewelry, Shaq was shocked to find himself $200,000 in debt.

Many other rookie players start their abrupt transfer to unaccustomed affluence in the same way. Showy vehicles, expensive watches and jewelry draw large consumption. But the new money also may represent generosity towards family members who have helped the athlete reach his goal, especially when there are bills to pay. Like Shaquille, many people who have never been around big money, have no sense of how far it can go. One of the suddenly-rich explained that it felt as if everything is free. Because that's not true, and because sports careers are complex and erratic, a large proportion of retired athletes are hurting financially soon after leaving the league. In 2018, It was estimated that 60% of NBA players who left were broke within 5 years, and 78% of NFL players suffered financial stress or bankruptcy within 2 years of retirement.


There are at least 3 reasons for us to reconsider our judgement of professional athletes as over-paid and irresponsible: 1. *Money Management.* They don't all fit that model. For various reasons, some are able to manage their wealth extremely well, by overseeing money successfully with charitable donations. 2) *Barriers to Success.* In somewhat different ways, careers with the NFL, NBA and MBL are complicated both in the structure of individual compensation and in how that relates to taxation. And, 3) *American Greed*. American values tend to admire and to desire a colossal net worth.

1) *Money management*. Shaq is a great example of a player who recovered from his early blunder. Success in career, investments, franchise ownership and endorsements plus earning 3 degrees, have made him one of the most wealthy retired players. He encourages his children to earn their own way. "I tell them all the time. We ain't rich. *I'm* rich." Shaq is not alone in managing money successfully. And many players have been charitable, with contributions not always directed towards family.



2) *Barriers to success*. Success in professional sports is rare because of all the hurdles. Many hopeful players don't reach far beyond their launch. Players tend to arrive with poor or absent financial comprehension, a limitation common to most Americans. Young, and without financial training or experience, new players are vulnerable to financial ruin. "Game's On" continued p.2



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## Game's On, continued


Few understand taxes, employment contracts, or insurance needs. Some players from disadvantaged families have been surprised by their first experience with taxation. Team managements offer training, but well qualified advisors are necessary. In some cases, however, the advisors are incompetent or shady.

The numerous intricacies of earned income would boggle many of us. Structured differently among teams and leagues, money comes to players in various forms. For example, the NFL rarely offers a guaranteed contract while the MLB is unlikely to handout a signing bonus. Taxation frustrates players who are charged the "Jock tax," in which players owe state taxes to many of the states where they played. Mookie Betts' signing bonus is not taxable in his home state of Tennessee which has no state income tax. Yet his salary is taxable in many states where he plays. There are different levels of salary and bonuses: signing, workout, roster, reconstruction to name just a few. In fact there is a sizable disparity between salaries of different teams. It's complicated.

Players face temptations on all sides, especially the desire to impress or gratify relatives, acquaintances and girlfriends. Pressures to share the fun, or lend a helping hand makes careful financial planning difficult. Players aren't cautious concerning the three most financially destructive events: fraud, lawsuit and divorce. Finally, it's hard to survive financially, particularly given the length of the career. The average non-athletic worker spends 45-50 years to save for a retirement of 25-30 years. The average careers life of the NFL athlete is ~5 years. (NFL= Not For Long.)

3) *American Greed*. In general, our citizens desire great wealth for themselves and admire extremely wealthy individuals. There are more than 600 billionaires in the U.S. In 2020, the average salary of the top 350 CEOs surpassed that of their typical employee by 351 times. In 2019 Intel's Robert Swan was paid $66,935,100, John Plant of Howmet Aerospace Inc $51,712,578, and Disney's Robert Iger $47,517,762. In this context, contempt for athletes' incomes seems contradictory.

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# A Crisis in Faith?

In our last newsletter, we discussed the possible conflict of interest on the part of two Federal Reserve members in their financial trading. That debate raised the issue of ethical limits for Congress members, a topic of longstanding. It was partially resolved in 2012 with the Stock Act, intended to prevent stock trades based upon privileged information, with publicly reported transactions. Critics have demonstrated that the law was neither sufficient at the core, nor well enforced.

Cynicism regarding politicians' integrity in general, and honesty involving stock transactions in particular, has grown considerably, causing concern in Congress for the resulting lack of trust and respect. A particular skepticism arose in March 2020 when advantageous January and February stock sales by 4 members of Congress caught attention. Some senators questioned whether or not the 4 had received briefings in advance of the Covid-19 public appearance. (No charges were brought by the U.S. Justice Department.) A poll released in December by the conservative Convention of States Action indicated that 76 percent of voters think that Congress members should not be permitted to use their "unfair advantage" (to trade stocks). In the next month, the firm Data for Progress found that two-thirds of voters believe that they should be barred from trading stocks.

Lately, several separate bills representing a bipartisan group, embody those sentiments. Many of the bills promote having all stocks placed in a blind trust during the members' years of service. Unlike the Stock Act, there would be no unreliable exercise of proving whether or not the stock investor was benefiting from privileged information. The bills vary regarding who should be covered: spouses? grown children? Congressional aides? etc. However, although observers are surprised by House Speaker Nancy Pelosi's opposition, general support for the bills seems very popular for 2 reasons: in order to inhibit unlawful trading, and to discourage the public perception that lawmakers are corrupt.

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**OUR RECENT READING:** Consult www:goodreads.com for reviews

**Wayne**

**Robert** highly recommends "Conscience before Conformity: Hans and Sophie Scholl and the White Rose Resistance in Nazi Germany," by Paul Shrimpton. The author tells the story of German students, who calling their mission the White Rose, spoke out against Hitler and the Third Reich. They distributed leaflets urging Germans to offer non-violent resistance to the 'atheistic war machine'. They died for their beliefs.

# Economic and Financial Overview

Quarter 4 of 2021 followed nearly 2 years of the pandemic which caused the country to virtually shut down. Quick responses to rescue the economy included stimulus by the federal government, and monetary easing by the Federal Reserve. Despite considerable losses in lives, jobs and businesses, a recovery arose, driven by confidence on the part of consumers experiencing job and income growth, and business investment. In 2021, vaccinations and discounted credit stimulated momentum.

The economy expanded by 5.7% in 2021. In the final quarter, the S&P 500 Index grew by 10.65% in Q4, and 28.71% for the year. The Russell 2000 of smaller stocks had a growth +1.86% and +13.7% for the year. Global equity returns of developed countries, included in MSCI EAFE, rose +2.69% in Q4 and +11.26% in 2021. Barclay's Aggregate Bond Index grew merely 0.01% in the quarter, and –1.54% for the year. In Q4, which lay comfortably between the Delta and the Omicron variants, the economy was strong as consumer spending increased. Ports held fewer back logs, auto production increased and there were more truck drivers on hand.

Looking ahead to 2022, many analysts predict continued economic strength with the pandemic no longer an economic factor. However, there are challenges. Late in 2021, inflation reached 7%, a 40 year high. Considerably higher inflation rates could overturn the recovery, yet in the effort to curb inflation growth, a series of interest rate hikes could lead to a recession. The Fed will have to balance rising interest rates, the value of the dollar, the inflation rate, the level of the central bank's balance sheet. Jerome Powell has hinted at an interest rate hike in March and perhaps 3 or more increases ahead. Also in March, he may complete the purchases of Treasury bonds and mortgage backed securities. Meanwhile, interest rates for mortgages and loans for autos and businesses will mount. There also are questions about possible worker shortages as payrolls stay below the pre-pandemic levels. The stock market has been extremely buoyant in recent years. Do you think it will hold?

# Shecession?

Women's roles in the workforce may seem to be a steady, forward advancement. The first wave of Millennial "working women" may have may experienced some harassment and gender inequality, yet today they may have ambitions, seeing some women in high-ranking jobs. These days, the percentage of working women having earned a bachelor degree is greater than that of working men. The same holds true for Masters degrees and PhDs. By 2019, female workers' average salaries had increased to earning 82 cents for each dollar earned by a man. Of the companies on the 2021 Fortune 500 list, 41 are women and CEOs, including 2 Black leaders. As of 2021, women hold 25.6% of the board seats of America's largest public corporate boards. Those statistics may not be impressive but it's all progress. However, women's advancement is not always steady. Ask Rosie the Riveters whose well supported WW2 shipyard jobs disappeared when the men came home. The Pandemic is a similar chapter. Here is a brief and simplistic, but imperative, summary of recent reflections on the topic.

In early 2020, women were a major proportion of the US workforce, moving farther into management positions as well as into STEM professions. Yet over time, women have tended to pay the cost for this progress. They have been taking on most (or all) of the household load, carrying the burden of work-life management. Some homes who have husbands, have male partners who contribute to certain extents. Some corporations offer benefits to assist working female employees. A few states have their own paid-family-leave legislation. Yet ours is the only industrialized country without a federally mandated parental leave, or a federally funded universal pre-K, program. The Family and Medical Leave Act (FMLA) fails to cover about 40% of workers. Schools serve as the primary support system of childcare but without specific attention to the dilemma of working mothers. Mothers must locate their own personal solutions to childcare, while daycares are too few, and too costly for many families.

The Pandemic magnified the problems of working women. Recessions have typically impacted men the most, but recently some refer to the "Shecession" because of the negative impact on women. Suddenly the children came home! Many working mothers suffered double jobs, exhaustion at home and an uneasy rapport at work. 2.3 million women left the workforce in 2020. Some got temporary leaves of absence which tend to produce "scars," losses that compound over the length of the career. Studies show that around 25% of women are considering leaving the workforce or diminishing their careers. We have lacked a fundamental understanding that women in the workforce are necessary for the nation and require a universal support structure. Women's work is not just about their personal profit and pleasure which working women alone should finance. Women's labor is necessary for our economy to prosper. Women deliver and raise the next generation which is needed to sustain the population, yet our reproductive rate is low. This confusing time offers an opportunity to consider the dilemma and possible solutions. Your thoughts?

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# Retail Therapy

What is shopping like for you? Is it boring? tempting? Or are you the individual for whom shopping is "retail therapy," entertainment with a friend followed by a relaxing lunch? Do you shop with a list and a strict budget, or give little thought to the cost? Bottom line: How have your shopping habits changed since February 2020?

Retailers strive to attract certain buyers and to maintain their loyalty, by appealing to individual preferences. Some of us are all about costs, others splurge. Some want easy returns. Others never send items back. Great customer service draws many buyers, but others want to be left alone. A broad product range doesn't matter to those who know what they want. Merchants consider all those partialities, including store structure: brick and mortar stores, E'commerce online shopping, or both.

Strategies were implemented in greater haste when Covid arrived. Store alterations are continuous as trends always change, but during the pandemic, quite suddenly, the shopping environment changed, forcing new behaviors. Fearing the virus, shoppers participated in a global lockdown, many stores were closed and people left home hesitantly, only for necessities. Supply chains tightened, clearing some shelves. Many customers adopted curbside pickup, but the best way avoid stores was to adopt the practice of online shopping, a new custom for many seniors. Most store changes had been conceived in advance but were accelerated by the pandemic, acquainting desperate shoppers with practices they might not otherwise have sampled.

Consumers altered both how and what they purchased. Quarantined at home, they had no need to expand their business wardrobe. Casual clothing delighted many workers. Some shoppers also were motivated to use contactless payments, thus catching up with practices in other countries. Auto sales occurred online. By January 2021, 69% of dealers upgraded their websites to accommodate walk-around images, online negotiations and digital purchases. Cars were examined and tested virtually, or delivered to the prospective buyer's home for an authentic drive. The number of homes purchased on the basis of virtual inspection grew as well.

Some buyers have looked forward to resuming prior shopping behaviors. Yet in many cases, they didn't go back, at least not entirely. Although E'commerce continues to expand significantly, it is not eliminating brick and mortar shopping which still contributed over 80% of sales in 2021. In many cases, in-person stores "multichanneled," adding online shops. Consumers appreciate the convenience of digital shopping but some still enjoy social interaction of shoppers and store personnel.

Shopping changes aren't truly a matter of Ecommerce v. brick and mortar. Rather, there has been a blend enabled by technology, and encouraged by shoppers' pandemic needs to adopt new practices. Amazon isn't the only ground-breaking marketing organization, but it is the most colossal and prosperous, and therefore interesting to follow. A multinational technology company, Amazon has at least 40 subsidiaries, representing many industries. Amazon retail has a customer retention rate of 90%, nearly 3 times the average. Loyal shoppers stay for the reasonable prices, rapid delivery, easy returns, consistently reliable service and a vast collection of products. You name it, there it is. Amazon Prime offers even more, including free shipping.

While customers continue to flock to Amazon online, the corporation continues to evolve, adding new opportunities for consumers. They have brick and mortar stores such as bookstores and "Amazon 4-star" stores selling their most popular books, games, kitchen and home products, and devices. The most aggressive move into in-person shopping is in the grocery industry, containing about 15 Amazon Fresh grocery stores, plus around 500 Whole Foods Market groceries. Amazon also goes in and out of "Pop-up" stores which briefly rent mall space to sell trend or holiday items.

They also produce new technology to enhance shopper convenience in both online and offline stores. "Just Walk Out" technology, active in Amazon Go grocery stores, gives customers the opportunity to scan a QR code or their palm, or insert an Amazon credit or debit card at entry. Shoppers can select items which will be recorded in a "virtual cart" by cameras, and then walk out without going through checkout. Implementing virtual and augmented realities (VR and AR), customers can virtually test products such as clothing, makeup, furniture, cars and more. With Artificial Intelligent (AI) in physical stores, virtual sales associates can recommend or explain products, or complete the sale. Rapid changes in shopping practices better enable us to purchase desired products in spite of the pandemic's uncertainty.

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