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Client Newsletter Volume XXVI Number 4 May 1, 2021

I. How to Win at the Stock Market by Being Lazy

My thanks to a client who sent me this, dated Feb. 4, 2021, by Neil Irwin:

> "Many parts of the GameStop story—the wild swings over the last couple of weeks in shares of the video-game retailer and a few dozen other out-of-favor stocks—are not exactly new…What has been weird to watch, if you've spent your life plodding away at building a retirement fund…is the mix of righteous anger and gleeful anarchism driving it all. Many of the traders driving the GameStop mania in recent days want to strike it rich and bring down what they view as a corrupt, rigged system along the way.
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> Yes, there is abundant greed and venality on Wall Street. But the reality is that the stock market has also offered a path for ordinary people to build wealth—and more so in the last generation than ever before. You haven't needed to burn down the system. All you've had to do is take the laziest, simplest approach to stock investing imaginable, and have a little patience.
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> Ever since Vanguard introduced its S&P 500 index fund 45 years ago, ordinary investors have been able to invest in broad stock indexes in a tax-efficient manner, with extremely low fees. Any schlub on the street can put money to work harvesting a small share of the earnings of hundreds of leading companies…You haven't had to *do* much of anything!
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> …[T]he advantages of a 'buy the index' approach were not well understood until recent decades. Academic finance research in the second half of the 20th century had a series of findings about the efficiency of markets that, taken together, imply that the best long-term investing strategy for most people is simply to put money into the market as a whole and minimize fees and taxes. Personal finance advisors and commentators widely embraced this finding, with adjustments that depend on the investor's risk preferences, particularly investing some slice of the portfolio in safer bonds.
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> There are no guarantees in life. Some people who are aggressively trading meme stocks will presumably walk away with significant profits. Index funds won't generate the kind of overnight payoffs that buyers of GameStop options are evidently looking for. And the decades ahead may offer lower returns to stock investors than the decades just past.
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> But extraordinary payoffs of being a passive stock market investor are not something to overlook. When you are offered a free lunch—a reasonable expectation of good returns with zero effort and only moderate risk—it makes sense to take it."

II. What Are YOUR and MY Asset Allocations?

Each of us has a different ability to live with uncertainty (risk) and so our investments will be different:

As of March 31, 2021	Clients	John Smartt
Money Market Funds	1.0	1.0%
Bond Funds	26.0	20.1%
Stock Funds	73.0	78.9%
Totals	100.0%	100.0%

Remember each of us has different goals and needs and our asset allocation should fit us and our family. If you have questions about your asset allocation, or your retirement plan investments, I'd be pleased to assist.

If you have questions, don't hesitate to contact me.

III. Vanguard Rates of Return (through Latest Quarter End)

Performance percentages are per ***Morningstar.*** Amounts in parentheses are percentile rankings (1= best and 100= worst) within category.

Periods ended March 31, 2021	Yr.-to-date		5 Years		10 Years	
Total Stock Market Index Admiral	**6.4%**	(47)	**16.7%**	(13)	**13.8%**	(17)
Tax-Managed Capital Appreciation Admiral	**6.0%**	(62)	**16.9%**	(9)	**14.1%**	(7)
Tax-Managed Small Capitalization	**18.2%**	(18)	**15.5%**	(23)	**12.9%**	(2)
REIT Index Admiral	**8.7%**	(37)	**6.1%**	(41)	**8.9%**	(25)
Total Int'l Stock Index Admiral	**3.9%**	(39)	**10.0%**	(25)	**5.2%**	(57)
Balanced Index Admiral	**2.4%**	(80)	**11.4%**	(15)	**9.8%**	(10)
Total Bond Market Index Admiral	**-3.6%**	(84)	**3.1%**	(54)	**3.4%**	(47)
Interim-Term Investment-Grade Bond	**-3.5%**	(33)	**4.0%**	(85)	**4.5%**	(73)
High–Yield Corporate Bond	**-0.1%**	(91)	**6.6%**	(53)	**6.0%**	(20)

For comparison, here are several stock and bond benchmarks:

Periods ended March 31, 2021	Yr.-to-date	5 Years	10 Years
S & P 500 (large stocks)	**6.2%**	**16.3%**	**13.9%**
Russell 2000 (small stocks)	**12.7%**	**16.4%**	**11.7%**
MSCI World Index	**4.9%**	**13.4%**	**9.9%**
BBgBarc US Aggregate Bond Index	**-3.4%**	**3.1%**	**3.4%**
ICE BofAML US High Yield Master II TR (bond index)	**0.9%**	**7.9%**	**6.3%**

Vanguard mutual funds and ETFs (exchange-traded funds) continue to perform as expected. I expect each Vanguard fund or ETF, for each ten-year period to be in the <u>top 1/3 before taxes based on low cost</u>, and they <u>ought to be in the top 1/4 (stock funds) after income taxes</u>.

The Vanguard High Yield Corporate Bond fund takes significantly less risk that the average "high yield" (also known as "junk bond") fund. The Vanguard fund, which takes less risk, continues to rank very highly in the rankings over the last ten year period. When the more risky portions of the "junk bond" investment sector are under stress (as they have been recently), the Vanguard fund shines and it is doing so at present. Over the last ten years the Vanguard fund has captured most all of the excess of junk bond returns over good quality bond returns—meeting my expectation. I continue to believe that, for tax deferred accounts, this fund is a reasonable, additional diversification and comprises some of my personal bond holdings.

If you have questions about your investment asset allocation, please contact me.

IV. <u>**The Future of Work**</u>

From the summary of a special section in The Economist of April 10-16th, 2021:

> "'*The Shipping News'*, a novel about family history in Newfoundland by Anne Proulx, includes a passage about work. Jack, a former fisherman explains how the local economy changed after the province joined Canada in 1949. Fishing went into decline and with it a life that was 'hard' but where 'a man did what he wanted.' Manufacturing rose in its place, offering jobs where men sheltered indoors, away from the elements, and did what they were told. Today, politicians on all sides say that jobs in manufacturing represent good, honest work and lament their demise.
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> For as long as capitalism has existed, people have worried about labour markets. Why is this so? Perhaps it is because they produce inequalities that even the most right-wing know are not really fair. Perhaps it is because they are always changing, and people are resistant to new ways. But it is also because labour markets produce uncomfortable trade-offs. The rise of the factory gave workers more pay but less autonomy. Trade unions boosted workers' wage but reduced employment. As textual analysis of books shows, at different times authors have worried about different problems linked to work.
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> The modern labour market has similar trade-offs. Yet…before covid-19, it was working fairly well. Contrary to popular belief, work was both more plentiful and more rewarding. Overall wage growth was not as strong as many hoped; but low pay was falling and job satisfaction was rising. There was no sign of an ever-growing 'precariat'.
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> The pandemic has been catastrophic. Yet it may presage improvements in the world of work. The shift to remote work may make many people more happy and productive. It is unlikely to encourage job-killing robots. And it is forcing policymakers to acknowledge some difficult truths about whose interests today's economy serves best.
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> Reform or perish
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> Politicians have more to do. Some reforms have long been called for. Dismantling occupational-licensing barriers would mean more jobs and lower prices. More liberal immigration regimes would boost innovation.

But the pandemic highlights two other necessary changes. The first concerns welfare. It turns out that in recessions sending cold, hard cash to families, especially poor ones, can do much good. America massively boosted the value of unemployment-insurance payments. Poorer households' income held up, and America's economic bounceback was one of the world's strongest because people had money to spend.

Outside recessions, there is still more to do. Boosting in-work payments does a lot to reduce poverty, as America's latest stimulus package will show. But it is of less use to those who are out of work altogether. Simply lavishing the unemployed with public funds may discourage them from finding work; but the lesson of Denmark is that it is possible to combine targeted generosity with incentives to take jobs, making labour markets more efficient. Another reform is updating the technology of welfare systems so that people are reliably paid what they are entitled to and poverty traps disappear.

Boosting welfare in this way would give workers better options, making them less willing to put up with bad jobs. More could also be done to improve people's bargaining power at work, the second big change. The pandemic showed that many workers have too little clout. Some paid with their lives.

A few favor a renaissance of trade unions…Irrespective of whether this is a good idea, a meaningful revival is unlikely when manufacturing and heavy industry are so much smaller than they were…Other ideas are more practical. Talk to corporate bosses and, because of the pandemic, many now believe that they need to give frontline workers more of a voice. This can be as simple as giving them access to a corporate email account.

…Governments need to step up. Particularly in Anglo-Saxon countries, too many unscrupulous employers flout labour law. Many of the most egregious violations relate to gig-economy companies, which pretend that their workers are self-employed contractors when they are in fact more like employees. These firms have not found loopholes in existing employment law, as is often believed. Instead they act with impunity mainly because enforcement of existing labour law is weak and punishment is feeble. That calls for more inspections of suspicious firms and tougher fines for rule-breakers.

Such reforms may be hard to do. And history suggests they will come with their own trade-offs, creating different sorts of discontents. But the eventual outcome should be to move towards a more efficient and fairer world of work."

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