

Wasatch Capital Management Newsletter

WCM Newsletter

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“Dorothy, we believe that you are the right person to explore emerging markets among the Munchkin population in Oz.”

DID YOU KNOW ?

Are you Prepared for Natural Disasters?

We all saw the news of the recent Hurricane in Florida. Raymond James was keeping an extra eye on the path of Hurricane Ian as it was looking like it would hit the RJ Headquarters in St Petersburg. Raymond James was spared. However, many were not.

According to an article in [Politico](#)

“...the destruction it wreaked on homes will erase retirees’ nest eggs and families’ primary way of passing along wealth to new generations”

Utah is not a hotbed for hurricanes like Florida. However, we do have our own risks of Natural Disasters. Even in elementary school, Utahns practice covering for The Big One. [Floods](#) or [Earthquakes](#) may be a risk where you live.

Risk Management is an important part of managing wealth. How would having your home destroyed by a natural disaster impact your financial situation?

Now may be a good time for you to review your insurance coverage.

If you have questions or need any assistance, please contact us at any time. As always, we look forward to speaking with you

Mark Lazar is an independent writer with Pathway to Prosperity and is not affiliated with Raymond James. Views expressed by this writer are the current opinions of this author and not necessarily those of Raymond James & Associates.

To err is human; to forgive is divine. Alexander Pope

Item	YTD Change
Dow Jones Ind Avg	-20.95%
S&P 500 Index	-24.77%
EAFE Foreign Index	-28.88%
Emerging Market Index	-28.91%
Barclays Agg Bond Index	-14.61%
10-Year Inflation Forecast	2.24%
Unemployment Rate	3.7%

*Market index data as of 9/30/2022

The “Ant and the Grasshopper” is one of Aesop’s many beloved allegorical fables. In this particular tale the ant works diligently all summer preparing for winter while the grasshopper squanders his time in non-productive pursuits. When winter comes the hungry grasshopper approaches the ant begging for food. The ant is both shocked and appalled the grasshopper didn’t better manage his affairs and subsequently refuses him. The moral of the story is that prudent behavior consisting of hard work and planning for the future is rewarded, while failure to do so has dire consequences.

President Biden recently announced a [federal student loan bailout](#), which would absolve borrowers earning less than \$125,000/year (\$250,000 per couple) of \$10,000 in federal student loans, and up to \$20,000 for [Pell Grant](#) recipients. The plan would forgive debt, in part or in full, for up to [forty million](#) people. Additionally, the moratorium on student loan payments was extended a seventh time, until the end of this year.

The sticker price for the bailout is thought to be about [\\$500 billion](#), but that estimate fails to consider key components of the plan, such as the cost of loan forbearance and the new income-driven repayment program ([IDR](#)). When all of the associated bells and whistles are factored in the Wharton School of Business budget model suggests the price tag could exceed [\\$1 trillion](#). But even this estimate ignores the cost of forgone interest, which further increases the cost to taxpayers.

Presently the total amount of student loan debt in the US is over [\\$1.7T](#). To put this in context, total credit card debt is [\\$912B](#) and total auto loan debt is [\\$1.6T](#). Proponents of the plan contend that an educated society serves the public good, a point on which everyone can agree. They further state that freeing borrowers from this burden will increase their appetite for home, auto, and consumer spending, which also cannot be argued.

Interestingly, House Speaker Nancy Pelosi made it [clear](#) that the president did not have the authority to unilaterally cancel student loan debt. President Biden also went on [record](#) expressing doubt as to both his ability and resolve to do so. Which begs the question *does the president have the authority to forgive student loan debt?* The Administration says yes, claiming the 2003 [HEROES Act](#), which was passed in the aftermath of the September 11 terrorist attacks, grants executive power to give students serving in the military financial assistance with their student loan obligations. Specifically, those whose studies were disrupted due to deployment or a national emergency.

Not everyone is supportive of the proposal, however. The most common criticism tends to focus on the perceived fairness of a debt relief scheme—that doesn’t include them. There is little doubt that if the proposal was, instead, to forgive mortgage debt, credit card balances, or auto loans the aforementioned debtors would likely welcome such relief. Such is human nature I suppose.

What to do? It is this author's opinion that public policy should seek to do good rather than simply enable supporters to feel good. To that point, would student loan forgiveness serve the public good? To answer that, I would first ask the following questions:

- If college graduates are unable to repay the cost of their education, does this not indicate the cost exceeded the value provided? How do we make college a better value for both students and society as a whole?
- If the price of a college education is too costly today, how does the Administration plan to fix that so we don't have Student Loan Forgiveness 2.0, 3.0, and so on?
- Do colleges have a moral obligation to counsel students as to the economic costs/benefits associated with higher education?
- The President's plan effectively subsidizes college tuition, and subsidies *always* increase the cost of a good or service. With no credit underwriting standards applied to student loans (can the borrower repay the debt?) what is the incentive for colleges to make education affordable?
- US college endowments exceed [\\$731B](#). Shouldn't the institutions that directly benefitted from the student loan crisis take responsibility and first use their money to help struggling borrowers rather than passing the burden on to taxpayers?
- While median income in the U.S. is [\\$44,225](#), the majority of debt relief is going toward borrowers in the [top 60%](#) of income earners—borrowers whose wages and benefits will increase faster than the average non-college graduate, effectively widening the pay gap. How is a plan, which is inherently regressive, aligned with the President's [executive order](#) on diversity, equity and inclusion?

While it's safe to assume that Alexander Pope's *forgiveness* quote was not referring to personal debt, Planer's Rule suggests that *an exception granted becomes a right expected the next time it is requested*. Perhaps we can learn a lesson from Aesop's ant; a society that teaches its youth the value of self-discipline, hard work, thrift, savings, prudence, and personal accountability is far preferable to one that relies on the charity, willing or otherwise, of others.

Mark Lazar, MBA
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Doing good together

As I was working on the topic of suicide awareness last month I was really feeling that this hits close to home. I have been able to use some of the resources we shared last month over the past few weeks. Unfortunately, I had to use some of these resources last week after my 8th grade daughter had a close friend commit suicide.

That is far too young for someone to be dealing with these issues where they feel that is their only way out. My daughter also felt some guilt that she was not able to help her friend and did not see how bad her friend was doing. I really became more thankful for some of the resources I have been spending time looking over.






The National Alliance on Mental Illness ([NAMI](#)) Utah has some great Suicide Prevention resources I would encourage you to look at. These resources have help me feel more prepared to talk to those around me recently.

Are you aware of the new **988** number you can call or text 24 hours a day? Are those around you aware?

While we will be looking for more ways to get involved and help provide you with ways to get involved with us over the next year, we encourage you get start becoming more aware of resources you can use or that you can direct those around you to as these difficult times arise.

-Jon Metcalfe

LEARN how you can help prevent suicide.

-  **L**ook for signs.
-  **E**mpathize and listen.
-  **A**sk directly about suicide.
-  **R**emove the danger.
-  **N**ext level of care.

PROTECT YOUR FAMILY: Suicide Prevention Education 

LEARN how you can help prevent suicide.

-  **N**ext level of care.

* Speak to a mental health professional. Receiving specialized mental health care can be life-saving.

* Call or text 988 : Suicide and Crisis Lifeline
Available 24 hours a day 7 days a week
Languages English and Spanish

Call the National Suicide Prevention LifeLine at
1-800-273-TALK (8255)

PROTECT YOUR FAMILY: Suicide Prevention Education 

WCM Team This Month

Matt

Matt and Sam at a friends wedding in Monterey



Stan

In-Laws 50th Anniversary in St. George with family

Rees

Rees and family celebrating a big win at Rice-Eccles Stadium



John

John and friends at Utah USC Football game as well while fans are rushing the field!

Nicola

Nicola and crew on their way to a friends wedding!



Jon

Jon and Tainui getting ready to referee the UYR Pink 7's girls rugby tournament for Breast Cancer awareness . Not pictured but Mailea played in the tournament.



Reed

Reeds Granddaughter enjoying the tour



Jessica

Jessica and her daughter, Amelia, hiking in Bryce Canyon National Park.



Susan

Susan and Tim in Arches Natl Park at Landmark Arch



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