

Will Gibson, CFA, EA

Top of Mind Human Scarcity

In a world *seemingly* eager for automation and optimization, riddle me this:

Why are there waiters at Chick-Fil-A now?

I'm guessing it's due to the same reason that [Starbucks](#) is hiring more baristas...

...and why [Trader Joes](#) won't provide shoppers a self-checkout option.

...and why high-end hotels and restaurants keep automation to a minimum.

...and why every single time I dial a customer service number I instantly ask the AI bot to connect me with a live person.

"At some point, people don't just want more commodities. They want things that aren't commodities in the standard sense of the word.

The social aspects of products such as the relationships, the status, and exclusivity ...become much more relevant once people's basic needs are satisfied.

And the demand for these properties will bring the human element back into the production process, and with it, the jobs.

If this is right, then AI won't just automate the commodity economy. It will trigger the emergence of something new: a post-commodity economy, where a growing share of expenditure goes toward goods and services whose value is inseparable from the human who provided them." ([Imas, contd.](#))

In other words, I'm bullish on people and I don't think robots are taking over.



Not Recognizing Financial Risk is Your Biggest Risk

What's safer? A Mazda Miata or a Ford Explorer? Instinct says the Explorer, right?

Debatable. HLDI studies show that small, "riskier-feeling" cars like the Miata often have *lower* real-world crash losses than large SUVs like the Explorer. Why?

Risk Homeostasis. When something feels safer, people take more chances. Perceived safety changes behavior.

This manifests in personal finances too.

With markets up, home prices up, incomes up, and net worths at all-time highs, people easily and often drift into the "big SUV mentality." Illusory safety.

It's like the wealth effect - people spend more money as the perceived value of their assets increases, even if their actual income remains the same. It's not wrong, but...

I think people fail to recognize an obvious risk - as your net worth grows, your income becomes less impactful. Most can dig out of a \$100k portfolio mistake with a modest income, but not a \$1M portfolio mistake.

This is why diversification becomes increasingly important at higher net worths. The road literally changes.

You don't need to earn a high return on \$5M to dramatically compound wealth. You need to make sure not to blow up, most importantly at a psychological level.

International stocks, bonds, commodities, art - you don't own these because they guarantee the highest cumulative return. You own them because they keep you sane enough to *stay invested*.

Nick Maggiulli has recently been writing with similar inspiration and passion.

[Survival is the only real financial success.](#)

I think the "survival" mindset should start coming into play when your investment portfolio could reasonably generate a return greater than your annual income.

Bottom line: as your net worth grows, realize you're driving a different vehicle. It may feel more comfortable, but it's not as nimble and mistakes can be catastrophic.



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"So, if I take a 401(k) loan, I'm just repaying the interest to myself? Why would I ever pay it back?"

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Starting in 2026, non-itemizers may deduct up to \$1,000 (\$2k for joint) of cash contributions to qualified charities.

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Why taxing the wealthy is hard, how Costco can pay \$30/hr, and what it takes to "make it" mathematically...

401(k) Loans



If you take a loan from your 401(k), the repaid interest goes back to your account.

You are literally borrowing from yourself and repaying yourself with interest.

Most people are unaware of that...

Why then are 401(k) loans usually frowned upon? And if you're just paying yourself back, what's the hurry?

In short, when you take a 401(k) loan that money is no longer invested, which means that you're missing out on appreciation.

In addition to dollars not growing with the market, repaid dollars are made *after tax* and grow *tax deferred*.

In other words, you're paying taxes twice.

If you leave your employer, you may be forced to accelerate your repayment schedule, and if you can't repay, the unpaid balance becomes a taxable distribution and may trigger the 10% early withdrawal penalty. Woof...

Now you may be wondering why people would ever take a loan in the first place...

Because you are effectively borrowing from yourself, the interest rates are not astronomical – especially compared to taking on credit card debt or seeking out a personal loan.

So, while not ideal, they're not the worst.

If you're in a low tax bracket, or have a small loan balance, or need to take a withdrawal regardless, *sometimes* it can actually make sense to not repay the loan.

We came across two of these cases last month, so it's fresh on the mind!

Keep Your Receipts

Last year, you could deduct charitable gifts from your taxable income *only if you itemized* on Schedule A.

Starting in 2026, non-itemizers may deduct up to \$1,000 (\$2k for joint) of cash contributions to qualified charities.

I think it's low hanging fruit, and thus an easy way to lower your 2026 tax bill.

For the optimizers out there, it can be a big deal – especially for those managing tax brackets in retirement.

For the casual taxpayer it's meaningful too, so you should plan ahead by maintaining a clean record of your gifts.

There is an unfortunate change though...

For itemizers, charitable deductions now have a 0.5% AGI floor, meaning only the portion of your giving *above* 0.5% of AGI is deductible.

There are other nuances, but for the non-itemizers (most people), this is a win.

Article Arcade

Real Estate Bifurcation <u>EPB Research</u> “Eight major US cities are making fresh all-time highs in home prices. Seven have been stuck below their 2022 peaks for almost four years. And in the middle of that, half the country had a real housing correction with declines up to 13%.”	AI Jobs Are...Rising? <u>Citadel Securities</u> “We illustrated back in February that demand for software engineers, the most AI exposed occupation was accelerating higher, which we argued violates the displacement narrative...software job postings has continued, now up 18%...”
Taxing the Wealthy is Hard <u>Of Dollars And Data</u> Taxing the wealthy is harder than it looks. Nick talks about past attempts to tax the wealthy in various states, what leads to people leaving, how Switzerland got it right, and what is likely the stickiest way to collect tax dollars.	“Making It” Mathematics <u>The Write Path</u> Most people stay stuck in the early game - endless activity, little progress. Others jump to the late game too fast, committing before they have any real signal. The trick is the sequence: explore until something clearly works, then double down.
How Costco Pays \$30/hr <u>Kuiper's Blog</u> The average Walmart associate makes less than the least experienced Costco worker. Yet despite paying their employees more, Costco is also famous for having low prices. How do they do it?	30YR Yield at 2009 Highs <u>A Wealth of Common Sense</u> The 30-year Treasury yield is at its highest level since 2009, fluctuating around 5%. Some say it's due to increasing government default risk while others say it's economic growth.

Reader Question

Q: Are Roth 401(k) dollars the same as after-tax contributions?

A: No, ironically...

Roth 401(k) and after-tax contributions are alike in that neither lower your taxable income.

They differ in how dollars are treated at withdrawal.

Roth dollars are not subject to future taxation while the growth on after-tax contributions is subject.

Most people get after-tax dollars in their 401(k) almost by accident.

They max out the \$24,500 elective deferral (or higher with catch-up), their employer adds a match or profit-share, and the IRS cap - \$72k total - still isn't hit.

That leftover space allows after-tax contributions, which can later be converted to Roth – known as the mega backdoor Roth.