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More Good Job Numbers

By now, we should be pretty well accustomed to getting good news from the employment reports issued every month by the Bureau of Labor Statistics. The latest report announced (yawn) the 92nd consecutive month of positive job creation in the American economy—seven and two-thirds years of steadily falling unemployment, down from double digits in the Great Recession to a near-record 3.8% at the end of May.

Nevertheless, we were treated to breathless headlines, with news writers noting that the 223,000 new (nonfarm) payroll jobs created in May was even better than most economists expected. A deeper dive into the actual release shows that the good news was not spread evenly; African-Americans are experiencing a 5.9% unemployment rate, while an estimated 12.8% of teenagers looking for work are unable to find it. And the number of long-term unemployed (without a job for 27 weeks or more) was unchanged at 1.2 million Americans. Another 4.9 million people are classified as "employed part-time for economic reasons;" basically meaning they have not been able to find full-time employment, so they're settling for part-time work. The BLS report says another 1.5 million people looked for a job sometime in the prior 12 months, but had basically given up, and not searched for work in the four weeks preceding the survey

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Interestingly, much of the good employment news came from the industries that are supposedly dying in America: blue collar and manufacturing employment. Transportation and warehousing businesses have added 156,000 jobs over the past year, while manufacturing employment has increased by 259,000 in the last 12 months. Employment in white collar industries like information, financial activities, leisure and hospitality and government, meanwhile, were all virtually unchanged.

Such good employment news usually means that wages will go up, as companies have to pay more to attract increasingly scarce workers. But the average hourly earnings for all employees rose just 8 cents in May, to $26.92. Over the past year, the average hourly pay for the average worker has risen just 71 cents. Those of us who tend to stay in the office a few extra hours every day might also be surprised to learn that the average workweek for all non-farm employees was below what we normally consider full-time employment: 34.5 hours.

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Self-Driving Timetable

There has been a lot of hype about self-driving cars, but when, realistically, can we expect to be driven to our destination by a vehicle that has no steering wheel, gas pedal or seat specifically designated for a driver? The answer depends on which of many competitors you're talking about, but it looks like people in test cities will be able to hail a self-driving cab sometime next year, and these services will be commonly available by the middle of 2021. Perhaps the most interesting insight is that, due to the high cost of the Lidar imaging system and onboard computer, you will probably not want to own your own self-driving vehicle; a self-driving Chevy Bolt costs around $200,000 to build, compared to a sticker price of around $35,000 for an electric Bolt designed to be operated by human drivers. The competitors expect that delivery services and taxi driving will be the model of the future.

A recent article on bloomberg.com identifies two leaders, Waymo (part of the corporate family that includes Google), and General Motors. Both are targeting 2020 for full "level 5" automation (no steering wheel, ability to navigate city streets as well as highways at speed limits), and both have already achieved "level four" (ability to drive on pre-mapped routes and handle anything on that course without the intervention of a driver). Waymo has run self-driving Chrysler Pacific minivans over 5 million road miles in 25 cities, and its vehicles can reach full speed on highways. The company announced a deal to buy 20,000 Jaguar I-Pace SUVs, with an eye to operating a pilot program of driverless vans in Phoenix, AZ next year.

General Motors has been testing its autonomous Chevy Bolt in the busy streets of San Francisco at speeds up to 25 miles per hour, and also plans to launch a ride-hailing pilot program next year. For now, 25 miles per hour is GM's top speed for autonomous technology, so the service obviously is unsuited for the highway. Like Waymo, GM navigates using laser beams to map the road ahead and around the car.

Mercedes-Benz autos already help drivers steer clear of pedestrians and avoid other accidents, and the company plans to offer Level 3 (where you can press a button, take your hands off a retracting steering wheel, and the car lets you know when it needs you again) autonomy technology as an option on its human-operated cars by 2021. A ride sharing service with self-driving cars will be introduced at the same time. The article also notes that Aptiv Plc—formerly Delphi Automotive, the spun-off parts unit of General Motors—is developing self-driving technology for Audi AG, and a company called Zoox is running self-driving Toyota Highlander SUVs in city traffic and at highway speeds. Meanwhile, Renault and Nissan vehicles manufactured by the Renault-Nissan Alliance are operating cars in Palo Alto, CA that can become autonomous whenever the driver decides to allow it—and can go 80 miles per hour in full self-drive mode. Audi's A8 vehicle lets drivers go completely hands-free at speeds up to 37 miles per hour.

Also in the mix are BMW, Toyota, Ford and Tesla, all of which are testing driverless technology. Toyota expects a self-driving shuttle to debut at the Tokyo Olympics in 2020, while Tesla's tests are the only one of the group to depart from Lidar technology in favor of cameras and optical imaging systems. Today's Model S and X both employ Autopilot technology, which can pass other cars and change lanes with no hands on the wheel.

The timetables for Mercedes-Benz, Aptiv, Zoox, Renault, Audi, BMW and Toyota are all fairly similar; they expect ride-sharing services to be available in 2020 or 2021, with high adoption rates toward the end of the 2020 decade as more people give up their cars and turn their garages into an office or a bedroom.

Reclaiming Charitable Deductions

You may remember that when the new tax law was debated, there was a lot of chatter around the possibility that Congress would totally eliminate the deduction for charitable contributions. That Republican-backed proposal never made it into the final Tax Cuts + Jobs Act, but in other ways the tax changes may wind up having a similar effect on many taxpayers.

How? By doubling the standard deduction, the Tax Code will greatly reduce the number of tax filers who itemize. Another part of the new law adds to the reduction in itemizing by capping the value of the deduction for state and local taxes at $10,000—far below what many taxpayers living in high-tax areas of the country will actually pay.

The result? In the past, roughly 30% of us were itemizers. That number is expected to drop to 10% by the time we start filing this year's taxes. Of course, if you don't itemize your deductions, you don't get to deduct your charitable contributions.

Some quick math shows how this works. Let's suppose a married couple plans to make $14,000 worth of charitable gifts this year. Their state and local tax deduction is capped at $10,000. Together, the two equal $24,000—which happens to be the same as the new standard deduction. They get no incremental deduction for their $14,000 of charitable gifts.

What to do? One way to overcome the impact of the new tax provisions is to bundle several years' worth of charitable contributions into a single tax year, contributing the higher amount to a donor-advised fund rather than to the charities directly. If the same couple were to give two years' worth of donations to a donor-advised fund, that would come to $28,000. Add in the $10,000 maximum deduction for state and local taxes, and suddenly it makes sense to itemize. The additional $14,000 results in a tax savings of about $5,180 for people in the 37% tax bracket.

Of course, if the couple were to bundle five or ten years' worth of charitable contributions into the same tax year, that would further increase the value of the deduction, and they can happily take the standard deduction in the other years. Going forward, the money in the donor-advised fund can be contributed each year to charitable causes just as it had been before, in $14,000 annual increments. Meanwhile, the assets that remain in the fund are growing tax-free, creating additional charitable assets for future donations.

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Crypto-Crash

Last year, it was hard to turn on your computer without reading about the dramatic rise in cryptocurrency values, or see advertisements for ways that you, too, could participate in this get-rich-quick opportunity to buy virtual money that is backed by no government on Earth.

It's almost always the case that when an investment becomes wildly popular and experiences a dramatic runup in price, that is exactly the wrong time to invest. And it turns out that cryptocurrencies were no exception.

While the stock markets were dropping moderately in value, cryptocurrencies lost their owners an estimated $60 billion in the last week of March, including a $20 billion drop over one dramatic six-hour period. Bitcoins are trading below $7,000, and the trend is taking them toward their February 6 low—and, perhaps, further. In case you're not up on other cryptocurrencies, there's something called Ether (now $381 per coin); Bitcoin cash ($691.48); Litecoin ($116.27) and Ripple (49 cents).

The problem, as always, is figuring out whether these alternative currencies are actual investments. For now, there are very few stores which accept them as actual money. Bitcoin's primary purpose in the marketplace has famously been to enable drug and weapons traffickers to buy and sell without leaving a paper trail for international police agencies to follow. Chances are, those markets are not of much interest to you or your portfolio, so it might be wise to watch this crytpo-mania play itself out from the sidelines.