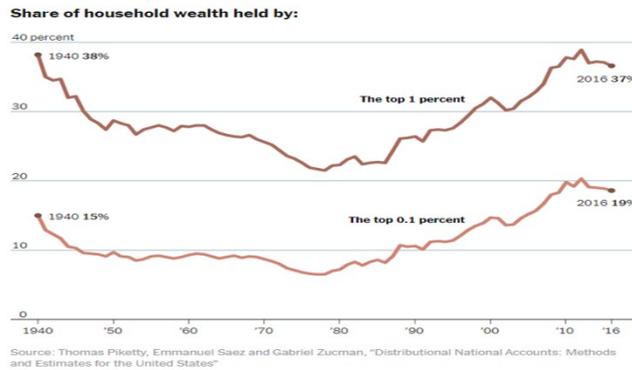


## Understanding a Wealth Tax

As we begin the presidential race, there is no shortage of solutions kicked around for whatever ails the nation. No doubt, different types of taxes are proposed as a piece of the puzzle. Both Bernie Sanders and Elizabeth Warren are suggesting a “wealth tax” to pay for government programs. Sanders’ wealth tax, for example, targets individuals with a net worth of over \$16 million and married couples with a net worth over \$32 million. The critical difference is that currently realized gains are taxed. Realized gains occur when investors sell assets. A wealth tax taxes someone broadly based on their net worth. There becomes an inherent challenge each year with defining someone’s net worth or managing those who attempt to move their citizenship out of the United States. The chart below shows the share of household wealth for the top 1% and top 0.1%.



## WeWork Not Working

WeWork, a coworking company, filed IPO paperwork in August. Since filing, the IPO has been derailed as analysts scrub financials and begin to dig in to the eccentric activity of former CEO, Adam Neumann. After filing with the SEC, it became public that the company booked significant losses in 2016, 2017, and 2018. Furthermore, Neumann cashed in \$700mm in stock options prior to when the company was to go public. Neumann stepped down as CEO, remaining as a nonexecutive chairman, also giving up majority control of the company. Conflicts of interest are disclosed in the IPO prospectus. That included Neumann selling the rights of the word “We” back to the company for \$6 million. The valuation dropped from \$47 billion to \$15 billion, despite annual revenue surpassing \$2 billion (Wall Street Journal). The Dow Jones Venture Source chart below shows the precipitous drop in the IPO valuation.

