

## Inclusive Investing Consulting Group

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
Ben Hall	2022	Economics/Math
Garrett Maille	2023	OIM
Erica Phan	2023	OIM
Anthony Cantino	2021	Finance/ Chemical Engineering

**Advisor(s):** Professor Jennifer Merton

**Topic:** SPACs and Wealth Inequality: Opportunity or Risk for Retail Investors?

**Audience:** Merrill Financial Advisors

### Sustainable Development Goal

SDG #8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG #10: Reduce inequality within and among countries

### Executive Summary

Special purpose acquisitions companies, or SPACs, have made a tremendous impact on the investing world in 2020. SPACs are shell companies that aim to raise money for the purpose of acquiring another company in need of additional funding for innovation. It is important to note that a SPAC has no commercial operations, so investors are buying stock in a company with no product, no revenue, and no guarantee of a merger. In a year of heightened market volatility and the emergence of the retail investor as a democratizing force, it is important to understand the risks of SPACs and how to use them sustainably to help close the wealth gap.

SPACs have been around for decades but have seen a large increase in popularity over the past year. Instead of going through with the long and uncertain process of registering an IPO with the SEC, SPAC companies can be used to raise capital more efficiently for emerging companies who want access to the public markets. The risks that SPACs pose are amplified for the retail investor, who has limited knowledge of the blank check company or its target merger company. However, there is also great potential for SPACs to be used sustainably. Through sound financial advising, retail investors can invest in companies that they care about, while growing their portfolio.

The emergence of SPACs as an alternative to a traditional IPO has come at a rather crucial time. Many working-class people who are receiving aid from the government are looking to invest. The use of SPACs may provide retail investors access to economic growth that has traditionally been limited to wealthy, sophisticated investors. At Inclusive Investing Consulting Group, we see an opportunity for the financial advisors of Merrill to guide the new wave of retail investors to a smart and sustainable financial future. By following our recommendation of sound financial advising, Merrill can help the retail investor use SPACs to make the stock market more inclusive and sustainable for all investors.