



To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark L. Wyssbrod, Managing Member
Date: October 1, 2012
Re: Economic Update – Value Destruction

When we feel stressed or pressured our mind and body act differently. For instance, stress adds weight to some people (myself included), but for others it causes them not to eat and they lose weight. Stress and pressure can affect sleeping patterns and mindsets in which we change our rationalization and communication style (especially tone and word selection).

Throughout my career I have mentioned the importance of being efficient. The past few economic updates I have been focused on efficiency. Our individual finances and businesses need to be increasingly efficient in order to survive the rapidly evolving economy! I have noticed an (almost alarming) increase in poor value making decisions. Many individuals and business owners are currently making financial decisions which lead to value destruction.

Did you ever wonder why the airlines charge for bags? The brief and simplistic history is airline travel use to be luxurious a few decades ago! Believe it or not you dressed up to fly and had good food! As competition increased, prices fell. Good for the consumer, but to maintain a profit services were cut. Consumers eventually, due to financial pressures, selected the lowest airfare. So airlines gutted the prices of the ticket, gutted service and then added surcharges. We have changed an amazing feat of traveling hundreds of miles in a short period at tens of thousands of feet into the atmosphere into the worse experience we can image.

Consumers have been chasing the lowest bid for the past 5 years (if not longer) due to the financial pressure they have been faced with. They want to believe there is no difference in quality between the lowest bid and the highest bid. This assumption is usually materially incorrect and leads the consumer into selecting the worse value outcome. If the consumer just paid a little more (I estimate at 10-20%) they would have had the desired result; instead they have a poorly delivered service or product, additional risk which they will eventually complain about. The result is destruction in value.

In these economical challenging times we cannot afford as individuals or small business owners to lose value. I encourage you to review your financial decisions to ensure you are not following what you want to hear, but instead you challenge yourself to ensure you are making the best value decision.

Choice the best value,

Mark W.



Specific Future Challenges

- Managers will need to increase efficiencies to overcome future revenue declines
 - Gross profit margins are under pressure and have declined in many small business sectors
 - Overhead is lean, where will future cuts come from?
- Get rid of bad apples in your business and life now!
 - The old saying goes “one bad apple can spoil the whole bunch”
- Identify fears and weaknesses
 - Create a plan to overcome them

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