



Memorandum

To: Clients, Friends, Family & Associates of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: July 6, 2011
Re: Paradigm Shift

Call it intuition or call it a gut feeling, but when I take time to think about the recent past I believe our economy and social order has gone through a paradigm shift. It might have occurred between 2005 and 2008, but something major is different. I am not sure exactly what happened, but I can see the signs of the results. It is like we are still applying the economic and social rules of the last 30 years to our current economy and society, but it's not working as it should. The result is extreme stress and frustration. This is how I know something major has occurred: applying rules we understand to an economy and to society not receiving the results we expect.

Historically a paradigm shift occurred when major changes in communication and economic activity transpired. We are definitely in a major change to our economy, especially in the small business arena. And the way we communicate has continued to dramatically evolve.

The US economy was over-weighted in financial institutions and creativity, as well as real estate activity. These changes are causing major differences in how we apply for loans and how much we are willing to pay for homes and property.

At the same time, the way we communicate over the past 200 years has changed immensely. We use to write letters using important descriptive and meaningful words. We were appreciative if we heard back from someone within a month or two. The telegraph helped speed up the process, but we had reduced the amount of words we could use. The telephone allowed much easier access and when it first came out it was acceptable to return a call within a week or two. Cellphones continued to accelerate the time of our communication and we now expected a return call within the day. Texting allows us to say even less, but the expectation is to return the text immediately.

Social media, including Facebook, Twitter and LinkedIn allow us to communicate more information about us even quicker than before. The internet bombards us with information, but most of it seems to be opinion and one-sided instead of factual. In the past, one needed to research and spend a long period of time to find out good information, because information was hard to find. Today, information is not hard to find, but quality, non-biased information is. We must filter all of the information in order to sort out which information is valid.



Great innovation during economic unrest and volatility, in the past, has led to significant changes to social order and business practices. We are in an era of creative innovation in technology, medicine and communication. These are the ingredients for a paradigm shift.

To succeed in the new paradigm we must begin to understand (figure out) the new economy and social rules. We must be flexible to change our business transactions and strategy. We must be willing to change the way we communicate and share information. Although the basics of human behavior has not changed in thousands of years (i.e. history does repeat itself) we must evolve and mold to the new economic and social rules if we are going to improve our business and net worth (i.e. the old rules are no longer 100% applicable). You must not be afraid to try new ways and methods to improve your business or self.

We must be careful with our capital during these periods. A business needs to invest in the new economy, the new style of business transactions and new rules. Unfortunately, the government stimulus of the past several years has invested in prior economy. The government has greatly increased our deficit by inefficiently trying to invest in the old economy and promises. The monies should have been used to fuel innovation and invest in the new economy. This is easier said than it is to practice. Small businesses must learn from government missteps and take this opportunity to invest in themselves, be innovative leaders in their industry and to rebuild their business position.

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