

Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA
Form: Mark L. Wyssbrod, Managing Member
Date: August 15, 2013
Re: August Economic Update: All The Right Ingredients

In this memorandum you will receive information about:

- Economic update: All the right ingredients
- Better ingredients
- Solutions

Please contact me should you have any questions. Remember to review your business to make sure you are mixing the right “ingredients” together.

Economic update: All the right ingredients

My wife enjoys the times which I cook. I become an avant-garde artist at times in the kitchen. How can I make something unique? Or just how can I use the rest of the leftovers in a way I don't realize I am eating leftovers! To cook well, you usually need all of the right ingredients added and mixed in the right order. When you mix all of the ingredients together correctly, perfection!

It seems as if we have all of the right ingredients in our economy, but are not getting the tasty treat we planned on. Unemployment continues to decrease, consumer confidence continues to increase and GDP continues to grow. So why isn't the small business economy any better? What's going wrong?

The unemployment reported in the news is decreasing, but due to individuals dropping out of the work force. Individuals who drop out of the work force are generally not earning any monies and in turn spend less.

Consumer confidence continues to increase, but has climbed to a level which the previous recession peaked. In other words, consumer confidence isn't very confident.

GDP continues to grow, however first quarter GDP was revised down to 1.1% growth from 1.7% growth (a 38.9% reduction!). The second quarter is scheduled to be 1.7% which is about half of the average GDP growth rate of 3.23% since World War II.

Better ingredients

The one ray of light seems to be our attitudes. The Great Recession, Small Business Depression, seemed to wipe out the “yes we can” optimistic American attitude and replaced it with shell shocked zombies. The past 9 – 12 months, it seems as if the attitudes have dusted off their negativity and optimism is daring to show itself once again.

The whispers in the wind are suggesting the second quarter will be revised upward from its current 1.7% and the second half of the year should remain stable. This is still well below the historical average of 3.23% GDP growth rate since World War II, but at least it's positive.

The European Union reported on August 14, 2013 their recession is over and growth, all be it slow, is returning. In theory, this will mean the demand for US goods in Europe will increase.

Small business solutions

Take advantage of the better attitudes and rising revenues. Improve margins by (having the confidence\discipline?) to discount less and raise prices. Raising prices is not out of greed, it's in order to survive! With your higher margins you should have higher profits. Use the after-tax profits to build cash reserves and reduce short-term and then long-term debts. Time might be limited; place urgency on your profitability.

Conclusion

2% growth is here to stay. You will want to adjust your business plan and strategy to match your industry's growth, region's growth and our new normal.

Bon Appetit,

Mark W.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.