

Memorandum

To: Clients, Associates & Friends of Pro@ctive Advisory
From: Mark L. Wyssbrod, CPA
Date: August 6, 2014
Re: Have vision; see a better future

In this memorandum, you will receive information about the following:

- Have vision; see a better future
- Slower recover, longer business cycle
- Important dates to remember
- Financial ratio of the month

Please contact me should you have any questions. If you want a better future, try envisioning it as well as thinking and implementing tasks differently.

Have vision; see a better future

Over the past several months, individuals have stated to me in one way or another, “I guess this is all the recovery has to offer; I don’t see how it can become any better.” The expectations have been set by the individual’s attitude. If you expect status quo at best, you will not be focused or motivated to accomplish anything of greatness.

If you want to accomplish greatness, then craft a vision of what your future should be. Write down the steps you will need to take to reach our goals. You may not know how to exactly get there, but when you write it down, you will think about it more. The more you think about it, the more it offers top of the mind awareness. As you observe and learn new information, you will automatically integrate it into your vision.

Integrate your vision into your words, actions and thoughts. Change your future so that it reflects your vision. Enhance your future, take action!

Can you see your path? Having a more profitable venture? Higher rewards and lower stress?

Start your vision and stay focused,

Mark W.

Slower recovery; longer business cycle

Recession Ended	Duration In Months		
Oct-45	37		
Oct-49	45		
May-54	39		
Apr-58	24		
Feb-61	106		
Nov-70	36		
Mar-75	58		
Jul-80	12		
Nov-82	92		
Mar-91	120		
Nov-01	73		
Average	58.36		
Recession Ended	Duration In Months		
Jul-80	12		
Apr-58	24		
Nov-70	36		
Oct-45	37		
May-54	39		
Oct-49	45	32.17	Average
Mar-75	58		
Nov-01	73		
Nov-82	92		
Feb-61	106		
Mar-91	120	89.80	Average
Average	58.36		

I have read and heard several media outlets mention the average expansion since World War II is 58.4 months. This means the economy grows, on average for five years at a time. The current recovery from the last recession (small business depression) is in its 61st month. Individuals are concluding the recovery and growth are over, and the next recession is close at hand. However, I am predicting another 2-3 years of slow and stable growth, excluding a major world event or significant Black Swan event.

As you consider these media outlets, remember that averages are dangerous! Out of the 11 recoveries since 1945 only the March 1975 recovery was close to the average. This means the 10 other recoveries were not close to the average. When you look at the data, you can see the six shorter recoveries have an average duration of 32 months. This is significantly less in time than the five extended recoveries of 90 months.

Additionally, four of the past five recoveries have shown prolonged business cycles. The modern-day recovery appears to be a tradeoff of slightly slower growth from the periods before for a more stable and extended period of time.

I believe the slower recovery is leading to a prolonged business cycle. I am not predicting how this cycle will end or how dramatic the ending will be. However, I do believe the data is showing us the recovery will be closer to or past the average of the five extended recoveries of

90 months. If we are in the 61st month of a 90+ month business cycle then we have another 29 months or over two years to continue to grow.

Businesses should use this data to plan to grow and have more confidence in the current business environment. Business should be aware that the averages do and will change. For example, since this recovery is in its 61st month the “average” recovery period will be greater than 58.4 months in the future.

Plan for a successful future,

Mark W.

Data Source: National Bureau of Economic Research via Atlanta Journal Constitution July 13, 2014

Important dates to remember

- August 15 - Second extension for non-profits
- September 15 - Final due date for C and S corporate, partnership and trust tax returns
- September 15 - 3rd quarter estimated tax payments
- October 1 - SIMPLE IRA setup deadline
- October 15 - Final due date for individual income tax returns

Financial ratio of the month

Gross Domestic Product (GDP)

GDP is the market value of all final goods and services produced by foreign citizens and corporations operating within a nation in a given period of time even if it was produced by foreign citizens and corporations operating within the nation’s borders. Nominal GDP is the measurement in current dollars. Real GDP includes inflation when comparing time periods.

One way to measure GDP is through the expenditure approach:

$GDP = \text{Household consumption spending} + \text{business investment spending} + \text{government purchases} + \text{net exports}$

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