

Memorandum

To: Clients, Associates & Friends of Pro@ctive Advisory
From: Mark L. Wyssbrod, CPA
Date: March 27, 2014
Re: Something in the air

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

- A “spring” in financial stress
- Something in the air

We have lived through fall, winter, spring and summer twice already this year. Hopefully winter (here in Georgia) is finally over! Spring is now on the horizon, yet something is in the air. I cannot place my finger on it, but something seems off. It is a Lord of the Rings moment for me, “The world has changed. I feel it in the water. I feel it in the earth. I smell it in the air. Much that once was is lost. For none now live who remember it.”

A “spring” in financial stress

The weather has been interesting to say the least and Spring will be here officially March 20th. Spring is generally a time of growth and rebirth. It seems all phases of life bring challenges and so will the upcoming season.

The economy for small businesses continues to be stable, but some challenges have surfaced. For instance, the two snow storms have resulted in two weeks of minimal production. This minimal production has resulted in minimal revenues and/or deferred revenues. During this same period overhead and payroll continued to be an expense. Additionally, loan payments are still due.

If expenses continue, but revenues are deferred or minimal, the result can be a reduction in profitability. The potential reduction in profitability can cause a cash flow crunch. The cash flow crunch, due from a reduction in profitability and debt repayment, will lead to financial stress. Financial stress will result in odd business decisions, small business owners will pressure their small business vendors for discounts (the large corporate vendors will not yield by the way, so you should not either) and small business owners will have delayed payment on their bills.

You can protect your company by collecting retainers and payments on the services and products on completion. If you feel uncomfortable requesting funds, then plan on being paid 60-90 days from the invoice date.

Something in the air

Something is in the air! I can see it and observe it, but it is difficult to describe it. Perhaps it is the aforementioned financial stress presenting itself. It could be the economy is improving, but people are looking back over the past 8 – 10 years and noticing they have the same or less today than they did back then. If they are a small business owner business owner they might be realizing their small business is worth less or no buyer is present or the financial position has not improved. Additionally, they are closer to retirement, the time is ticking and the pressure is building.

My first observation is hearing stories similar to: Client A complains about their bill. The quality is the same, but the price is half! That is right half! What is there to complain about? The service provider has to take time to calm an angry client and explain the reduction in the bill. Once the client realizes they what paid they say “oh, I didn’t know that.” They do not apologies and the service provider had to take time to calm a customer.

My second observation is hearing stories similar to: Client B complains about their bill from 4-6 months ago. They already paid and were appreciated of the work at the time. Now they want a refund or credit from the bill from 4-6 months ago to apply to the current invoice. Does the service provider issue a refund for something that happened 4-6 months ago? Do they not collect on their current invoice? If the service provider provides the refund\credit will they then lose the customer and lose the current receivable? Does the service provider want a client like this? If not, they need to increase their marketing.

My third observation is due to financial pressures we are all commodities. In speaking with other service professionals (CPA, attorneys, consultants, etc.) few have clients for life. Clients move, go out of business, grow out of your firms capabilities, woke up one day and no longer like you, rationalize why they don’t have to pay you, etc. A generation ago this was not the case, when a service provider won a relationship both sides were in it for life and worked hard for one another. On the service providers’ side, they have stopped working hard because they do not feel any loyalty from their clients. The new rule is the rule of seven; every seven years clients will leave you for no fault of yours at all. For people who like loyalty and dedication you might be in the wrong economy. This doesn’t say these relationships do not exist anymore, but it is say this is the exception, not the rule.

This year the economy should be pretty stable for small businesses. Small businesses seem to be under more financial stress today than any time in the past three years to four years. You may want to financially and mentally prepare yourself for these types of future challenges in order to craft solutions.

Conclusion

The seasons are changing and something is in the air. Prepare your company for growth and a rebirth! Be aware of the challenges of others around you and how they might influence your business. Craft solutions and be prepared!

Pro@ctiveAdvisory

Interact With Your Advisor

Speaking of solutions and being prepared, as you know, your team members can make or break your business. Click here for an [interesting link](#) about identifying your employees' personal strengths.

Enjoy your spring cleaning and I hope you find creative solutions,

Mark W.

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