



Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: December 21, 2012
Re: Year-end Letter to Clients

Greeting!

I hope 2012 has been a productive year for you and your families. Please accept our year-end letter in lieu of a holiday card. We will be making a donation to Every Woman Works www.everywomanworks.org instead of using the funds for a holiday card. We see a lot of need in this area of our community and believe it is important to give.

A Flavorful Gift For Clients

We do have a holiday gift for client if they would like. If interested in some “Darn Good Seasoning” please contact me and I will make sure you have some of the tasty treat soon! Darn Good Seasoning is made by a client, Healthy Homes. The owner, Philip Robider, is also known to provide a free dinner and cooking show.

2012 A Year of Contradictions

2012 has been a year of contradictions for our clients. A general theme for our retail-ish clients has been the comfort of higher revenues with the frustration of tighter margins. Several of our clients have had unprecedented growth which would keep the flame of optimism lit in your heart and mind. While others wonder if they should just give up. No matter where you are in the business cycle, our overall theme in e-mail updates and counsel during the past year has been critically important – be more efficient! Our firm practices what it teaches I will discuss in more detail below.

Right-sizing Pro@ctive CPA

When I look back at the past 12 months, I am amazed at the transformation at Pro@ctive CPA. Just over a year ago I began to “right-size” our firm. I emphasis continuous improvement, but I felt as if we were stalling. Although, I believe we were still faster than most firms to respond to clients’ calls and correspondence as well as provide higher quality, something still felt off.

We have re-staffed and have a fantastic team! Our team has the experience and communications skills to assist our clients, but have not been jaded by the industry. Our team is adding to our firm’s culture of excellence and sincerely caring for our clients.

- Cindy Freking, CPA has been our amazing tax manager and I tease her by calling her “boss” as she both challenges me and holds me accountable.



- Laurie Andrade, CPA is our new tax preparer and we believe her 20 years of experience as well as her supporting and kind personality will add value to our clients and firm. She is also beginning to assist our clients with payroll.
- Laura Anderson is a degreed Accountant and is our awesome field accountant. She assists our clients with accounting items and closing business books. She is smart as a whip and is always thinking!
- Reagan Wyssbrod has continued to be our office manager and keeps everything running.
- Mark Wyssbrod, CPA, continues to reside as the Managing Member who guides our quality and firm philosophies. Mark is also in charge of Practice Development.
- Lawrence A. Wyssbrod – OK, he is not a team member, but Reagan and I have a 4 month old son who is full of energy. He is skin and bones with big eyes in order to observe everything around and full of muscle! He enjoys when I hold him up so he can either walk or hop. Lawrence also finds it acceptable for me to lie on the floor with him so he can push off my hands and crawl across the floor.

I believe we have all of the pieces in place to be more efficient! We hope we can continue to increase our level of service and quality with no increase in our hourly rates. With our current foundation, I am no longer tentative of growth, as I know we have the right staff in place to provide the highest level of quality and service possible.

Help Us Be Efficient

We have learned a couple of lessons (or re-learned them) during 2012. I know I enjoy helping people and I know I want to do it right. I have realized I cannot help everyone who needs help if the person asking for help only wants to take short-cuts. Often times taking seemingly innocent short-cuts leads to errors and increases our time to correct as well as prevents us from providing the highest quality of service.

We have worked hard to continuously improve and remain efficient. In order to keep our hourly rates low and stay efficient, we need to request for our clients to help us be efficient by:

- Completing the tax organizer questionnaire
- Signing and dating the signature page of the questionnaire
- Reply to our information requests timely
- Keep your appointment
 - Keep rescheduling to a minimum
- Maintain true accounting system (if you operate a business)
 - Use of spreadsheets leads to complications during tax preparation and in unforeseen examinations by the taxing authorities
- Inform us of any Internal Revenues Service (IRS) and State tax communications and installment agreements on the front-end as they arise

Be Prepared For Higher Taxes



2013 is the dawn for higher tax rates for all taxpayers. Yes, you will more than likely face higher local, State and Federal taxes in the future. If you are already doing everything correctly I have developed two planning ideas to help you become more efficient. One idea is simplistic and one is more complex. I will be happy to share these ideas and thoughts with you during a planning meeting.

An Increase in Tax Audits

We have noticed an increase in tax audits during the past 12 – 18 months. We ask for a lot of information when preparing your returns. This information reduces the likelihood of having an audit and/or if audited, reduces the likelihood of an adjustment. Throughout my career I would estimate the audit adjustments for tax returns we prepared is less than 1%. Due to this, my tax preparer identification number with the IRS has a great record (which they track) and this helps protect our clients.

This information is required to be obtained by all preparers. Even though some preparers do not know this or simply do not choose to request the information. Ignorance is not bliss! Taxpayer and tax preparers can face penalties if the regulations are not followed.

Audits are separate engagements than tax preparation.

Our Hourly Rates Are Low!

I try not to brag too much here because we take a little longer to do it right so we end up being about the same as other firms. We show all of the detail on the invoice so you know we do not “value bill” (i.e. mark items up).

% Difference	Pro@ctive CPA Hourly Rates	Local Hourly Rates	Industry Hourly Rates
Bookkeeping	\$75	\$85-100, 13%-33% More Than Us!	\$98, ~33% More Than Us!
Tax Preparation With 20 Years Of Experience	\$100	\$125-150, 25-50% More Than Us!	\$151, 51% More Than Us!
Quality Control & Audit Representation	\$125	\$175-225, 40-80% More Than Us!	\$199, 59% More Than Us!
Partner Rates	\$100-150; Primarily \$100-125	\$200-400, ~100%+ More Than Us!	\$199, ~100% More Than Us!

The rates are based on current rate schedule, local firms and the Journal Of Accountancy article “2012 MAP Survey: Signs of Recovery” December 2012.

We Took Our Own Advice

For several years I have mentioned to clients to do something creatively and different. This might mean to merge, joint venture, sell or discontinue operations. This summer, right before



Lawrence was born, I reached out to three firms to discuss potentially merging. I was hoping for an increase in efficiency for our clients and a simpler life for me.

However, our industry is jaded to a degree. The culture I have worked so hard to create (provide the highest quality, solid service, truly care about our clients and teammates at the lowest cost possible) is not appreciated by the industry. There is a mentality of 'how fast can you do it and how much can you mark it up' at most firms.

This "profit center" approach is understandable, but not how I choose to run Pro@ctive CPA, nor how I would want to be treated.

Conclusion

We continue to challenge ourselves in order to improve as professionals. Continuous improvement allows us to increase efficiencies, which allow us to have lower than average hourly rates. We ask our clients to assist us in being efficient in the upcoming year.

Please contact us should you have any questions and/or comments.

We wish you the best for the rest of 2012 and a fruitful New Year!

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