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# ALLIED PERSPECTIVE

WINTER 2024



# Thank you!

## Thank you!

Another year is in the books and, as always, we are beyond grateful for the loyalty and friendship of clients and colleagues alike. You inspire and motivate us to strive for excellence each day – support that is especially important during times of tumult and trepidation. So, to 2023 we say thanks for the memories and the lessons learned in reading and reacting to the financial plot twists that were thrown at us. Now, with the dawn of the New Year, there is fresh hope and renewed optimism that 2024 will be a stronger, more stable year for one and all. Together we've weathered some rough seas, and together we sail toward a horizon of unlimited possibilities.

## Partner Pearls of Wisdom

*"In winter, I plot and plan. In spring, I move."*

- Henry Rollins

As life begins to slow down a bit after the holidays, it's a great time to reflect on your financial and tax situation. Use the next few months to plan, start a budget, shop for insurance, roll over your old 401K, or open a 529 account college fund. Be strategic about making changes. Plot and plan now, reap the benefits later.

- Aimee C. Berkemeier, CPA

Aimee Berkemeier, CPA  
Partner

Charles R. Chapin, CPA, CFE  
Partner

Heath Hendrickson, CPA  
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Kenneth E. Ingersoll, CPA  
Partner

Thomas M. Tette, CPA  
Partner

David A. Younis, CFP®  
Partner/Director of Financial Services

## Toys for Tots

Once again, this year, in lieu of a holiday card, we made a donation to **Toys for Tots** on your behalf! Through this gift, clients like you help make the season a bit brighter for kids across Upstate New York. **Thank you for your support in all that we do for the communities we serve.**



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**Rochester** 150 State Street, Rochester, NY 14614  
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## Corporate Transparency Act

By Jonathan Bradshaw, CPA, Ph.D., Tax Manager

As of January 1, 2024, certain small business companies will have to report information about the company and the owners who own or control it to the Financial Crimes Enforcement Network (FinCEN). This requirement will affect entities registered to do business in the United States and who came into existence because of a legal filing, such as an LLC or corporation.

Each entity subject to the requirement will have to report the following information for each owner or person who has significant control over the company:

- Legal name
- Birthdate
- Address
- Identifying number from passport or state ID
- Picture of that identifying document

In addition, companies are required to notify FinCEN if there are any changes to this reported information within 30 days.

The FinCEN website will have a secure filing system to file these reports starting on January 1, 2024. Companies currently in existence have until January 1, 2025 to file their initial report.

You can find out more about this requirement at [www.fincen.gov/boi](http://www.fincen.gov/boi).



## Calendar of Events

All are welcome to join us for our monthly online conversation, *Creating Retirement Income During Uncertain Times*, which takes place at the end of each month.

Check out our website and monthly e-blasts to stay up-to-date on invitations to seminars offered throughout the year.

If you have a suggestion for a seminar topic that would be of interest to you, please email your suggestion(s) to our Director of Communications, Andrea True at [atru@alliedfp.com](mailto:atru@alliedfp.com).



## Thumbs Up!

**Congratulations to our clients. Way to go!**

• **IDI Billing Solutions** received TMC's 2023 Communications Solutions Product of the Year Award

• **LMT Technologies** made the Greater Rochester Chamber's Top 100

• **Agathi Georgiou-Graham, Owner of Arbor Venues**, was a 2024 ATHENA International Young Professional Award Finalist

• **'OI Smokey Trucking & Excavating** won Small Business of the Year from the Livingston County Chamber of Commerce

## Welcome to the Team!



**Emarrius Bouie**  
Staff Accountant, Rochester Office



**Dana Andrews**  
Senior Accountant, Buffalo Office



**Nelson Lu**  
Staff Accountant, Rochester Office



**Karen Calendaria**  
Admin, Rochester Office



**Timothy Brown**  
Financial Services, Victor Office

## Moving Up!



**Joey Keem**  
Senior Accountant, Buffalo Office



**Josh Yost**  
Senior Accountant, Rochester Office



**Kourtney Rook**  
Admin Manager, Perry Office



**Alicia Miller**  
Tax Manager, Perry Office



**Ari Damdindorj, CPA**  
Tax Manager, Perry Office



## A Look Back While Moving Forward

By David A Younis, CFP®

Hi everyone! And thanks for taking some time to check in with us here at Allied!

In a moment, we'll be jumping into a thrilling discussion of economics and investing strategy. But before diving in, I do want to solemnly acknowledge that this will be a very difficult season for many people in the world. It has been challenging to write about matters of economics and investing while there is such tremendous suffering - my intention is not to diminish the very real struggles that face the people of Earth. We hope that you and yours find peace, safety, and stability in the new year.

It seems very easy right now to become mired in debates about the state of the world and whether we're heading forward or backwards. Instead, I would like to present you with an opportunity to understand the financial data we review when we're developing investment recommendations for clients.

### Soft Landing?

The mythical unicorn referred to as the "soft landing" seems more likely as the days go by. A soft landing, by definition, would be where the Federal Reserve raises rates enough to slow the economy (read inflation) without causing a significant level of joblessness. For good

or ill, our country's economy is driven by consumer consumption - 68% of the output of our economy is attributable purely to our consumption of goods and services. If people are working, they continue to consume; if they are not working, they spend less. If a lot of us experience joblessness at the same time, consumption drops by a lot. This set of conditions can create a vicious circle of additional layoffs and cost cutting at the corporate level.

However, the most recent indications are positive: the most recent jobs report shows that unemployment dropped after momentarily rising to 3.9%. It is now at 3.7%, which is a very strong number. Additionally, the 3rd quarter GDP figure was revised higher to a 5.2% annualized rate. Folks, that is a blowout number! At the same time, inflation continues to moderate in many areas of the economy. In fact, coming into September, wage growth on average was at 4.2% while inflation had dropped to an annualized level of 3.7%. No one likes to be paying higher prices than we did only a couple years ago, but, if wage growth holds above inflation, there would be hope that we are coming out of this perhaps better than many had anticipated.

### Do Markets Believe?

Time will tell, but it seems that the market is starting to believe we may fare reasonably well in 2024 and avoid the worst of predictions even though the economy is expected to slow into next year. The market had rallied nicely as we approached the summer, but in September the Fed indicated we should expect rates to be higher for longer and mentioned the possibility of further hikes in subsequent meetings. Wall Street had gotten ahead of itself with the rally and we quickly saw a reversal - indexes retracted across the board while

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interest rates moved higher in response to the Fed's commentary. However, the data coming out in October and November was supportive of a resilient economy and the markets again began to trend higher. As we head for 2024, expectations for corporate earnings are higher than in 2023, interest rates have come down a bit, and even some Fed Chairs have stated that they need to be careful about pushing too far. With a more cautious Fed, the market is indeed becoming a bit more optimistic.

### Are there opportunities in this environment?

We have been dealing with a period of adjustment. Interest rates influence pricing on a variety of assets, and big changes in interest rates can take time to settle. Bond values generally decline when interest rates go up, but higher interest rates also change the value proposition for stocks, pricing considerations for real estate, costs for corporations that borrow to grow and develop, etc.

However, opportunities often emerge in that disruption. There are lessons to learn from the past, specifically what we've seen when we reach peak interest rates in any particular cycle.

We can use the peak 6-month CD rate as the barometer for when we've reached the high point for interest rates in a cycle. Going back to the early 80's, we find once we hit the peak 6-month CD rate, corporate bonds, high yield bonds, and stocks have historically outperformed the peak rate. While it's possible that interest rates may still move higher, as of late we've seen interest rates coming down. It may be early to judge, but if these are the early days of the pull back in 6-month CD rates, we may be more likely to see better performance from traditional investment assets in the next 12-24 months.

### So, what should we take away from this?

It's easy to take advantage of 5% money markets and short-term CDs, but there are likely to be better opportunities emerging for long-term investors who are looking to accumulate wealth for the future. Even for

short-term investors, you have an opportunity to create income plans using these interest rates, which are the best we've seen in a decade. We can create bond ladders today that are yielding 5% or more over the next 5-10 years. If you are looking for more stability in your portfolio, there are solutions worth considering.

Fixed annuity rates are still over 5% on a 3-, 5-, and 7-year basis. You can lock these rates for longer than you're able to with money markets and CDs.

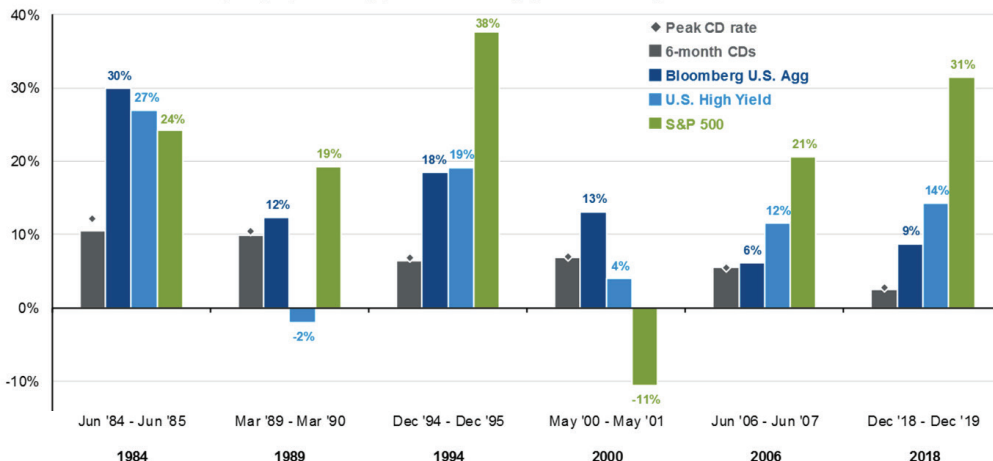
For those that are comfortable with stock market volatility and have a more aggressive risk tolerance, the stock market has had a strong recovery overall when compared with the depths of 2022. We hope to see this recovery continue into 2024 and beyond.

While it has been uncomfortable for many of us over the last few years, I believe it is important to remember that, throughout time, there have been no better assets to protect against inflation than the great companies of the United States of America. Periods of disruption occur and can be uncomfortable, but American companies know how to make profits and, if you're an investor, you want to participate in their long-term success. There are reasons to own other assets, there are reasons to plan for liquidity and income needs, there are reasons to be mindful of the risk that you take - but there are also very important reasons to stick to your plan, ESPECIALLY during the most difficult times. If you don't have a plan - let us help you to create one that is resilient and durable.

Thank you for your time and continued confidence in our services - we are grateful for our partnership and look forward to supporting you and your family in 2024!

### Investment opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, J.P. Morgan Asset Management.

U.S. High Yield: Bloomberg U.S. Corporate High Yield Index. The S&P 500 total return figure from the 1984 period was calculated using data from Robert Shiller. The analysis references the month in which the month-end 6-month CD rate peaked during previous rate hiking cycles. CD rate data prior to 2013 are sourced from the Federal Reserve, whereas data from 2013 to 2023 are sourced from Bloomberg. CD subsequent 12-month return calculation assumes reinvestment at the prevailing 6-month rate when the initial CD matures.

Guide to the Markets - U.S. Data are as of November 30, 2023.