



the

ALLIED PERSPECTIVE

SUMMER 2024



Summer is Here

The days of sun and sand, swimming and sailing are in full swing. Like you, we'll take advantage of the fair weather and long hours of daylight to spend time surrounding ourselves with the gifts of nature, family, and friends. As always, we are grateful for all our blessings, including the wonderful relationships we enjoy with clients like you.

Have a terrific, safe, and memorable summer!

Change is in the Air

"If we don't change, we don't grow."

That old axiom applies to us as we look to create efficiencies that will benefit our operations and ability to better service you, our valued client.

- **Location, Location, Location!** Our Rochester & Victor offices will be consolidating into one convenient location at the end of the summer. The address of the new office will be **90 Linden Oaks, Suite 100, Rochester, NY 14625**. We believe this location, with close proximity to the expressway, will be more easily accessible for our clients and staff. Plus, we expect that the operating efficiencies resulting from having merged staff under one roof will benefit our organization and clients alike.
- **What's in a Name?** For our financial services clients, the firm we use to support our business operations, Securities America's parent company (formerly Advisor Group), has adopted a new brand and name, Osaic. The change went live in mid-June. You may notice the new name and logo on correspondence and some statements, but otherwise we do not expect the change to have much impact on you or your accounts. In short, new name, same great service.
- **Out with the Old... In with the New!** Our website is currently being redesigned, so be on the lookout for our fresh new look this fall.

Aimee Berkemeier, CPA
Partner

Charles R. Chapin, CPA, CFE
Partner

Heath Hendrickson, CPA
Partner

Jason Mayausky, CPA
Partner

Justin Bentley, CPA
Partner

Kenneth E. Ingersoll, CPA
Partner

Thomas M. Tette, CPA
Partner

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

If you are not currently subscribed to our e-newsletter and you'd like to receive timely and valuable information and notices from us, please contact our Director of Communications with your current email address: **Andrea True** at atru@alliedfp.com.

Buffalo 501 John James Audubon Parkway, Getzville, NY 14068
Cooperstown 55-57 Grove Street, Cooperstown, NY 13326
Oneonta 189 Main Street, Suite 302, Oneonta, NY 13820

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Calendar of Events

Mark Your Calendar! As the last of the late Boomers and more Gen-Xers head into their retirement glidepath, we want to provide them with opportunities to learn by taking advantage of resources available to guide them on their journey. We encourage you to participate in these sessions. Sign up today! Registration links are available in our eBlasts or on our website.



Webinar: **Social Security: A Hit or Myth Proposition**

- Thursday, July 18 at 6:00 PM
- Presenter: Kurt Czarnowski, Czarnowski Consulting

Webinar: **Making the Most of Medicare**

- Wednesday, August 14 at 6:00 PM
- Presenter: Mark Shannon, Bond Benefits Consulting

Reminder!

Any LLC, partnership, or corporation may be required to file a Beneficial Ownership Information Report with FINCen by December 31, 2024. This change is the result of the **Corporate Transparency Act**, and failure to report this information is subject to potential fines of \$591 a day. In order to be in compliance, you must file a report at www.fincen.gov/boi. Allied CPAs, PC cannot file this report on your behalf.



Navigating Change

Sometimes we make life changes deliberately, and with forethought. Other times change is forced upon us unexpectedly. To help prepare for change, we are developing **TransitionReady**, a comprehensive program that can be tailored to assist individuals navigating through significant life changes, with a special focus on graceful aging.

TransitionReady provides a clear lens through which to navigate transitions, to empower individuals to manage their transitions confidently and comfortably, ensuring they can maintain their independence, quality of life, and financial well-being.

We will be holding focus groups to gain insights that can help shape the **TransitionReady** program. We value your input and would love for you to join our focus group to help shape this program. If you're interested in participating, please email **Andrea True** at atru@alliedfp.com. Change is inevitable, be ready to meet it on your terms.



Why am I Going on Extension?

By Jonathan Bradshaw, DBA, CPA

Across the nation, this question was asked of accounting professionals in CPA firms more often than ever before. The accounting industry is undergoing some significant changes that are impacting how work is getting done and causing disruptions to even the most efficient firms.

Most significantly, the accounting industry has also suffered from the general labor shortage. Accounting firms are seeing veteran tax preparers retire or reduce their workload while, at the same time, fewer young people are studying accounting in college.

Adding to that pressure is the increasing complexity of the accounting world. The last four years have seen a progressively complicated tax and business landscape, with new programs and tax code changes. Accountants are spending more time responding to misinformation that clients have found online and helping with complicated business arrangements.

Finally, more individuals are looking for assistance in meeting their tax obligations. Some are because of starting up new businesses, but there are also more individuals who simply don't want to spend the time doing their own taxes.

When combined, CPA firms are spending more time on more clients with less staffing. As a result, the amount of time it takes to complete a return has increased significantly due to the industry backlog, and this has led to record numbers of extensions being filed across the country. This trend is likely to continue, and extensions will become more common in the future.

There is no fee for filing for an extension, and filing for an extension can decrease audit risk since taxing authorities recognize that, with the additional time, preparers can make sure that returns are accurate.

You can do the following three things to streamline the process and help minimize the time tax returns take to be prepared:

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1 Get your information to your accountant early.

Accounting firms work primarily on a “First In - First Out” system, so the sooner you can get your information to your accountant, the more likely it will be done on time.

Organize your information. Dropping off a box of receipts, or providing a years’ worth of bank and credit card statements for your accountant to organize, will slow things down considerably, and likely lead to increased fees. Similarly, providing one or two pieces of information every few days, instead of submitting it all at once, can lead to pieces of information being lost.

Respond to questions promptly. With the increased reliance on working from home, accountants are more likely to be working outside of traditional business hours. This leads to an increased reliance on email as a first mode of communication when an accountant has questions. Check your junk and spam folders regularly to make sure that you are not missing critical communication. If email is not your preferred method of communication, you should let your accountant know.

Welcome to the Team!

Michael Zaccaria, CPA
Staff Accountant, Rochester Office

Brittany Quinn
Staff Accountant, Rochester Office

Joseph Kollie
IT Specialist, Rochester Office

EJ Wu
Staff Accountant, Buffalo Office

Garrett Thompson
Staff Accountant, Buffalo Office

Moving Up!

Adrianna Sperry
Intern coming on as full-time
employee, Oneonta Office

Mahil Amiri
Intern coming on as full-time
employee, Rochester Office

Marissa Hagopian
Intern coming on as full-time
employee, Rochester Office

Joe Naples
Manager, Buffalo Office

Zach Legters, CPA
Manager, Rochester Office

Jonathan Bradshaw, DBA, CPA
Director, Rochester Office

Thumbs Up!

Congratulations to our clients. Way to go!

Deere Stone Farms won the Wyoming
County Soil & Water District 2023
Conservation Farm of the Year Award

Dave and Rita’s Farm Market & Bakery are nominated
for Best Bakery in the Finger Lakes once again after winning
the Gold Medal in 2022 and 2023





Mid-Year Update By David A. Younis, CFP®

By the time you'll be reading these comments, we will have gotten through the first half of the calendar. Over the next several months, we'll likely be inundated with political adverts accusing one side or another, this party or that, of being responsible for our current state of affairs. We believe that you cannot make good decisions about your finances unless you have accurate information on which to base your

thoughts and actions. With that in mind, I thought you might appreciate a factual evaluation of where we are. Unvarnished. We'll start with economic conditions and move on to market reactions.

As of the end of the first quarter, national economic growth (as measured by GDP) is running at an annualized rate of 3%. Pre-pandemic growth hovered below 2% for the preceding 10 years: this growth rate is better than the prior decade on a national basis, but it does appear to be slowing. About 68% of GDP is attributable to consumer spending. It's also important to realize that a lot of this growth was supported by government stimulus - the effects of which are waning.

So, how's the consumer faring? On the average...okay, though, we are noticing marked challenges in some areas. Auto loan and credit card delinquencies are on the rise, recently reaching levels seen just prior to the financial crisis of '08. Additionally, while there is still a lot of cash on the sidelines, we are noticing that some income groups are no longer able to save money and may have even exhausted their prior savings balances. This represents an important indicator of overall financial system health. The lowest 20% of earners are not able to save at all right now and the savings rate is now below 2019 levels across all other income levels.

Fortunately, job markets are in reasonably good shape. At the end of March, unemployment was well below 50-year averages at 3.8%. For reference, the 50-year average is 6.2% and 4% unemployment is generally considered full employment. Labor demand is still more than double where recessions have historically taken hold, looking at data going back into the early '70s. At this stage, we need to monitor for increasing layoffs at an accelerating pace; meaningful increases in joblessness would be very concerning and could indicate forthcoming recession.

What about that inflation? Many prices have stabilized - which is not to say that we are spending less. We are not. However, the largest overall contributors to inflation at this moment are auto insurance rates and shelter costs. The Federal Reserve is not likely to be able to impact either of these items in any meaningful way; auto insurance rates are up significantly due to the added costs of repairing the technology in vehicles today, and the Fed cannot make a few million single-family homes emerge from thin air to alleviate supply issues that have supported rising home prices. The lack of supply will continue to vex homebuyers and falling interest rates are not likely to create conditions where home prices would decline. Notable is that energy inflation is at 2.1% and food at 2.2%, so these pain-point categories are experiencing lower inflation than the average - progress to be sure and essentially at Fed target.

Due to the resilience of the labor markets, wage growth is ultimately running at annual rates that are greater than the current CORE CPI inflation rate: 4.2% versus 3.5% respectively in March. I know it's not much, but, when wage growth is greater than the average inflation rate, the economy would be expected to grind forward in a positive way.

How have markets been digesting the economic data? As I type, the S&P 500 is literally notching an all-time high (5,292.66) and is up 10.92% YTD. The Dow is up 5.66% and the MSCI All Country World Index is up 8.55% YTD. Coming off a strong 2023, these are GOOD returns through the first half of the year. A diversified 60% stock allocation in this environment should be returning somewhere between 2.22%-5.13% YTD (Mid-May) depending on the constitution of your stock allocation.

Do be mindful though, when you look at the S&P 500, the top 10% of performing stocks are contributing 26.4% of the index's earnings over the last 12-months. Combined, these companies also have an average P/E ratio of 26.7 - while the other 90% of companies' P/E ratio is at about 17.3 today. Remember that P/E ratios indicate loosely how many years of company earnings are required to justify the current stock price. High P/E's mean that prices are expensive. To me, this simply means that, if the value of the top performing stocks were to reverse quickly, the index would experience some uncomfortable volatility. While not inevitable, it would seem some of these companies may face a test of their current prices.

We could review many more data points, but they are mostly rather average. **So with our economic conditions in somewhat mundane territory on the surface and with markets performing reasonably well, how should we focus our attention/actions?**

Continue to brace yourself for typical volatility, if not outsized election volatility (<https://www.alliedfp.com/blog/allied-election-year-special>). This is easier when you have adequate liquidity to cover emergencies or retirement distributions. Ensure that your portfolio can address both short-term needs as well as long-term growth objectives. Try to take advantage of typical market declines by getting into a routine of saving/investing so you capture those falling prices and benefit from them. Focus on ensuring you do not have outsized debt levels.

Unemployment is low but rising, some folks are running out of cash, prices are still elevated in certain places and are likely to remain so for a bit longer. The Fed is not likely to cut rates substantially in the nearest term. However, markets are leading indicators and, if conditions continue to improve, they will have been justified in their recent recovery and continued ascent.

Despite many of us having a sense that things just aren't right out there, much of our data is supportive of the idea that we will continue to see progress economically. If only we could see similar progress in our geopolitical tensions and domestic political environment. Perhaps there are as many reasons to be rationally optimistic for as there are to be skeptical. Therein, I think, lies the challenge. This is not a moment for soundbites because there are many consequential events and decisions unfolding over the next few years. We look forward to supporting you as the world turns and we would like to thank you for your continued confidence in our services.