

A^{the} ADVISOR

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Lanese+Associates

an affiliate of Cohen & Company



from the CEO of Cohen & Company



We are living in chaotic, or at the very least, unpredictable, times. Whether it's political unrest,

an uncertain economy, or environmental concerns, there is no shortage of challenging issues. Every generation feels that their struggles are more difficult and complex than the generations before them.

In its own unique, but remarkably important way, your company provides an element of stability for your employees, as well as for the communities you're in and the customers you serve. Stability requires focus, discipline, and more than anything, great people. "Great" includes the way you treat each other, the way you serve your clients, and the way you care about family and friends.

I am very proud of our firm and its people; Never underestimate the value of your individual role in your company, and in turn, your company's role in the community. I'm sure you will find much to be proud of, as well. &

Rudy Myeroff

Bank Relations Now More Critical

If you have been fortunate enough to find a banker who has worked with you during these challenging times, you had better make every effort to create and nurture a strong working relationship. Here are some tips to help you do so.

■ MAKE SURE YOUR BANKER KNOWS YOUR BUSINESS. Every business is different. Your banker should understand what factors affect your profitability. Teach him or her about your specific products or services, industry and company history. Make sure your banker knows what future aspirations you have.

■ DO YOUR HOMEWORK. Unless a meeting is strictly social, be armed with facts, figures, graphs, explanations and whatever else might be needed to get your point across. Have your own agenda to make sure you cover all necessary points and try to anticipate questions that might come up.

■ DO NOT CREATE TIME PRESSURES. Waiting until the last minute to request a loan not only makes it harder for the banker to react in a timely manner, but makes him or her believe that you are either a bad business planner or you were not astute enough to anticipate the need.

■ UNDER-PROMISE/OVER-DELIVER. If you are able to consistently beat projections, your future ones will have credibility. When you explain why you are ahead, your

banker will respect you as a conservative business person. The opposite occurs when you try to continually explain why you fell short.

■ TAKE LOAN COVENANTS SERIOUSLY. Give the impression of a smart, prudent business person who expects to live up to commitments. Don't be afraid to argue to get the covenants modified if they seem unreasonable. Furthermore, no matter how insignificant, make sure you let your banker know in a timely manner if you are in danger of breaching a covenant.

■ KEEP YOUR BANKER INFORMED OF IMPORTANT CHANGES. If you want your banker to feel like part of your team, changes in key personnel, product lines and similar things that are important to your everyday business life should be communicated to your banker.

■ ALL SURPRISES SHOULD BE GOOD ONES. Good news, such as exceeding projections or a big new customer, can often wait until the next time you see your banker. But it is important for your banker to know at the earliest possible date that you could fall short of projections or lose a big customer or be late with a payment.

■ PROVIDE FINANCIAL INFORMATION TIMELY. Bankers keep files and often ask for current financial



statements and personal net worth statements as part of them. Be accommodating as you don't want your banker to assume that you're withholding them due to bad news.

■ ALWAYS BE HONEST. A positive relationship with your banker will never last beyond the first time he or she discovers that you lied. As in other aspects of your operation, being honest is not merely a good virtue, it is a good business practice.

One final suggestion—with transfers and other attrition, you may find that the banker you've been nurturing has now been replaced. Some of the goodwill you've built up may be diminished, but some if it may be transitioned with your account. Also, make every effort to meet your main contact's supervisor. Remember, your banker may be your most important vendor, so your relationship should be nurtured accordingly. &

Staying on Course

We have been bombarded lately by negative news relating to financial markets. From the rising foreclosures in Florida to news of the latest “down day” in the stock market, it just doesn’t seem to stop. Arguably the biggest news story was the collapse of the investment bank Bear Stearns. It raised many questions and speculations as to who could be next. Then, of course, there has been increasing use of the “R” word—that’s right, recession.

Naturally, all of this negative news and the thought that we are heading into (or are currently in) a recession leads people to question their own investments. The S&P 500’s total return in the first quarter of 2008 was -9.44%.

When monthly account

statements show losses over three months, it’s understandable to question whether selling off equity exposure to hold cash wouldn’t be the better model because it can’t lose money. Then when the economy recovers and the stock market starts to perform better, it’s easier to be comfortable reinvesting in equities.

Though this thinking seems completely rational, statistics tell a different story. The majority of the stock market’s return can be attributed to just a few days when the market starts to rebound off its bottom. A study commissioned by Townley Capital Management, Inc. shows that missing just the top 40 trading days from



1963 through 1993 would have earned an average annual return of 7.09% compared to 11.83% if invested during the entire time period.

Let’s assume a retirement account worth \$100,000 in 1963. Invested continuously over 30 years, the account would have been worth \$2,862,528 in 1993. But, by missing the top 40 trading days, the account would only be worth \$780,670. Missing just a day or two each year can make a huge difference!

In addition to staying invested in equities, holding a

diversified, properly allocated portfolio typically leads to superior performance. According to a study published by Ibbotson & Kahn in 2000, 90% of the variability of returns across time is explained by asset allocation. Being properly allocated to meet specific goals is just as important as staying invested in the market.

It’s difficult to ignore the daily negative news on the economy and the financial markets. It’s even more difficult to ignore the balance of your personal investment account falling. But, history has shown us that staying invested in a properly allocated account is likely to provide superior returns in the long run. &

Past market performance is not an indication or guarantee of future results.

Mortgage Environment Continues to Evolve

For the first time, we are hearing terms like liquidity, mortgage-backed securities, and secondary markets in the main stream media. However, many reports fail to fully explain the correlation to the current crisis or the consumer impact. The following summarizes recent changes that directly affect you as a mortgage consumer.

1 Mortgage insurance companies have caused lenders to cease all 100%

purchase loans. Most lenders now require 5% down and a minimum 680 credit score.

2 Second mortgages and equity lines have been drastically reduced to 90% of home value.

3 Rental property and second home loans have tightened lending guidelines. Borrowers must be prepared to produce a lot of documentation.

4 Jumbo loan products are priced well above conventional rates.

5 No income verification loans (or stated loans) have virtually disappeared.

6 Conventional loans from Fannie Mae and Freddie Mac have significantly increased rates for consumers with credit scores between 600 and 700. There are also significant rate adjustments for cash-out loans and low credit scores.

7 Subprime lenders have all but vanished—leaving consumers with credit scores

below 600 very few viable options.

8 The majority of the country is considered a declining market and lenders are requiring an appraisal to include four comparable sales within a one-mile radius and within the last three months.

9 The President’s stimulus package raised conventional and FHA loan limits in high cost areas only. Most parts of the country are unaffected by these changes. &



Tax Stimulus Package Includes Big Tax Incentives

There is considerable debate as to whether the cash payments to individuals created by the Economic Stimulus Act of 2008 will really result in giving a boost to the economy. However, there are two business incentives that have not received as much attention that could result in six-digit tax savings for this year, as well as a much needed boost to the economy.

The first is the almost doubling of the maximum expensing allowance, commonly known as the Section 179 deduction. This provision, which allows direct write-offs of most depreciable assets, has been temporarily increased from \$128,000 to \$250,000. Under existing law, the benefit is decreased dollar for dollar for expenditures for these assets in excess of \$510,000. However, because of the increased expensing allowance, that amount has been increased to \$810,000 for 2008.

The second is the return for this year of the 50% bonus depreciation deduction. This applies to most depreciable assets, including some leasehold improvements. To qualify for the leasehold improvement deduction, the improvements must be to the interior of the building, it cannot be residential property, there must be an existing lease, and the building must have been in use for at least three years before the improvements are made. This deduction can

be taken by either the lessor or the lessee.

For a company contemplating expansion, accelerating expenditures for equipment may be a good strategy. For example, if you spend \$500,000 for equipment, you can write off \$250,000 under Section 179, the 50% deduction will give you another \$125,000 and the balance would still be subject to accelerated depreciation. Not only will you save all that tax money, but you can help stimulate the economy!

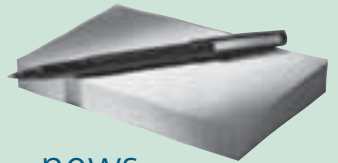
If you think seriously about taking advantage of these incentives, please be aware of some limitations. In addition to the reductions for amounts over \$810,000, Section 179 limitations are applied at both the entity level (with controlled entities taken into account) and the individual level. Therefore, not only is each entity limited to \$250,000 regardless of how many individuals get the flow-through benefits, each individual is limited to that amount regardless of how many entities flow through to the return. The property must be placed in service prior to Dec. 31, 2008. Leasehold improvements and



non-customized software are not eligible. The deduction is limited to taxable income, but the unused portion can be carried over.

For the 50% bonus depreciation deduction, the property must be new and placed in service prior to Dec. 31, 2008. There is an exception to this rule for property depreciable over ten years or more. However, only the portion of the cost paid in 2008 is eligible for the bonus depreciation.

Remember, though, don't do anything just for tax purposes that you wouldn't do otherwise. But if you can do this year what you planned to do anyhow, the tax dollars can be very attractive. Naturally, all of the cost of depreciable assets are deductible over time, so the big value of these incentives is to improve near term cash flow. Please feel free to discuss any of these issues with a member of our tax department. &



& news notes

Welcome to the new Advisor. We hope you'll appreciate the changes to our newsletter. While the look and feel has been updated, we remain committed to bringing you an informative newsletter on issues affecting you from a personal and corporate perspective. Let us know what you think at info@lanese-cpa.com. &

E-mail "phishing" schemes continue to be a pervasive problem for individuals and businesses, particularly fraudulent refund notices that appear to come from The Internal Revenue Service. These schemes attempt to trick recipients into disclosing personal and financial data. Use extreme caution anytime an unsolicited e-mail requests personal or financial information. &

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