



THE ALLIED PERSPECTIVE

WINTER 2020



FROM THE PARTNERS: Updates & News to Share

Happy Holidays from the team at Allied Financial Partners! 2020 sure was quite the year, to say the least. Given the year we had, it is especially important for us to count our blessings. Our firm is fortunate that we continued to remain open and serve our clients throughout the year—we know we are among the lucky ones. As many people in our community are experiencing hardship, we understand the importance of giving back. Part of our core values is to sow back into the community some of our good fortune with our time and financial support. In the month of December, our firm donated to the local Toys for Tots organizations in each of the communities in which we have offices. A small act that has a big impact for local families.



2020 brought some changes to the accounting side of our firm. Because of the growth we've seen over the past few years and to offer a more consistent brand name, Tette, Ingersoll & Co, CPAs is now **Allied CPAs, PC**. This brings are three lines of business—Allied CPAs, Allied Financial Services, Inc. and Allied Payroll Services—under the Allied Financial Partners naming umbrella.



Also, as a reminder, our NetClient Tax Portal was replaced with CCH Axcess tax portal. If you have any questions or would like a tax portal account created, please contact your accountant or our office to request one. For quick reference, you can find the portal link on the home page of our website at www.alliedfp.com.



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As always, if you have any questions or want to discuss your tax situation, financial planning needs or inquire about payroll services, please contact us. We are here for you. Thank you for your continued support and loyalty throughout 2020. Here is hoping for a fresh 2021.



Thomas Tette, CPA • Kenneth E. Ingersoll, CPA • Jason Mayausky, CPA • David A. Younis, CFP® • James W. Swiech, CPA

Victor 6536 Anthony Drive, Suite B • East Victor Place • Victor, NY 14564
Rochester 150 State Street • Rochester, NY 14614
Oneonta 189 Main Street, Suite 302 • Oneonta, NY 13820

Perry 199 S. Main Street, PO Box 1 • Perry, NY 14530
Cooperstown 55-57 Grove Street • Cooperstown, NY 13326
***Buffalo** 36 Niagara Street • Tonawanda, NY 14150

PHONE: 585.410.6733
EMAIL: tax@alliedfp.com
WEB: www.alliedfp.com



TAX ARTICLE: PPP LOAN FORGIVENESS

As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent amendments, the Paycheck Protection Program (PPP) provided \$659 billion of loan funds to support small businesses and other eligible entities impacted by the COVID-19 pandemic. If you received funding, you may now need to start planning for loan forgiveness. The rules have changed since the program began.

A borrower may apply for loan forgiveness any time on or before the maturity date of the loan, including before the end of the covered period, if the borrower has used all of the loan proceeds for which they are requesting forgiveness. If a borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, the loan is no longer deferred, and the borrower must begin paying principal and interest. However, forgiveness can be requested at any time during the term of the loan, even after repayment has begun.

Borrowers that initiated their loans prior to June 5th, 2020, have the option of choosing a forgiveness period (8 or 24 weeks). Borrowers that initiated their loans after June 5th, 2020, MUST choose 24-weeks.

To receive any forgiveness, 60% of the loan proceeds MUST be used for payroll related purposes. No more than 40% of forgiven amount can be for non-payroll costs for any borrower (utilities, rent, interest payments on a mortgage, covered benefits for employees).

The SBA is trying to make PPP loan forgiveness simpler for borrowers of less than \$50,000. These borrowers have been granted an exemption from the employee and payroll reduction rules of the program. In addition, borrowers with these loans that used less than 60% of the funds for payroll expenses are now eligible for forgiveness. The 40% cap for the amount of forgiveness that is allowed to be used for non-payroll purposes remains in place. No more than 40% of the forgiven amount can be used on those expenses.

For loans over \$50,000, borrowers must meet employee counts calculations, payroll rates and meet certain criteria for exemptions for loan forgiveness. For self-employed individuals, you are entitled to use the PPP loan to replace lost compensation due to impacts of COVID-19 and eligible to claim 2.5 months worth of your 2019 net profit to replace pay. If you didn't have any other payroll expenses factoring into your PPP loan amount, this means that your entire PPP loan could be forgiven for the 24-week period.

Good record keeping and bookkeeping will be critical for getting your loan forgiven. We recommend that you speak to your lender about loan forgiveness. With all the new tax laws and rules that were passed over the last year, it is more important than ever to do planning sooner than later. At Allied Financial Partners, we can also help advise you and determine the most beneficial course of action for you and your business.



Calendar of Events:

Allied Financial Partners is committed to offering educational and informational events on topics that impact our individual and business clients—tax, financial, business, insurance and payroll. We are working on our 2021 webinar schedule. Stay tuned to our monthly eblasts for details and announcements. To sign up for our monthly eblasts, email atrue@alliedfp.com.



THUMBS UP – The Client Corner

Taking the time to recognize the awards and accomplishments of our clients is important to us especially this year. Congratulations to one and all!

- Kudos to **Reyncrest Farms** in Corfu NY, for receiving an Honorable Mention from the American Dairy Northeast, Dairying for Tomorrow Award for Animal Care.
- Congratulations to **Sleep Insights** for your contributions to the "5 Ways to Grow Home Sleep Testing" article published by EnsoData.
- Cheers to **Lantek Companies** for their ranking of #32 in the Rochester Chamber Top 100 list
- Way to go, **Unitech Applications** on supplying signage for the Toronto Blue Jays at Sahlen Field in Buffalo.



WELCOME NEW TEAM MEMBERS



Sulaiman Small

Congratulations to Sulaiman Small. Sulaiman started with Allied Financial Partners as an intern in the Spring before coming on full time as a member of our audit team in September of 2020 as a Staff Accountant. Originally from Brentwood, Long Island, Sulaiman holds an associate's degree from Suffolk Community College, as well as a bachelor's degree from SUNY Geneseo. Currently living in the Park Avenue area of Rochester, Sulaiman enjoys playing chess, basketball and going to the gym. Fun fact, Sulaiman is the owner of a traffic light from his time working as a sales team leader at 1-800-Got-Junk!



Zachary R. Legters

Welcome Zachary Legters. Zachary joined Allied Financial Partners as a Senior Accountant working out of our Rochester office. A native of Bloomfield, NY, Zach attended Finger Lakes Community College before completing his bachelor's and master's degrees in accounting at SUNY Geneseo. Zach recently passed all four parts of the CPA exam and is now working towards earning his year of experience for his state licensure to complete his certification. In his spare time, Zach is nearly done rebuilding his 1945 Willys CJ-2A Jeep. Once that project is complete, he will move on to working on his 1927 Ford Model T.

SO...WHAT JUST HAPPENED?

BY DAVID YOUNIS, CFP®

That's the question I keep asking myself. In moments of reflection, we are supposed to glean some semblance of truth and learn from recent experiences so that we're better prepared for what lies ahead. The challenge, it seems, is that reflection comes after and we are not yet in, "the after." We are indeed in the thick of the moment. What's more, when it comes to our collective investing success, you're not always given the opportunity to reflect adequately before the market shifts in unexpected ways. It's for this reason that I continue to requote Dr. David Kelly, Chief Global Strategist at J.P. Morgan, "To be a successful investor, it is not about predicting the future, it is about seeing the present as clearly as possible." With that in mind, I would like to try to focus these brief comments on trying to see our present as clearly as possible while trying to be rationally optimistic.

Here are some facts that ought to have bearing on our near future:

1. Covid-19 is a deadly disease – while the mortality rate is often cited as not being dramatic enough to warrant the responses we've seen, its ability to impact our healthcare systems, school and work environments is sufficient to be disruptive on a level that we haven't seen in 100 years. Our economy cannot function at its potential while it runs rampant throughout our country. Period.
2. We are spending a lot of money—realized in the form of government and corporate debt—in an effort to keep our economy in stasis. During periods of crisis, this is absolutely warranted and were it not for the Fed's action in March, we likely would have seen markets continue to decline meaningfully. But it's yet to be seen whether this spending comes home to roost in the form of lower growth under the burden of repayment. Right now, our net federal debt is 100.1% of our GDP. If the country were a household, we'd be living paycheck to paycheck...
3. There are two very different economic "recoveries" underway. As we've professed for years, there is a difference between our economy and the market. I'm not familiar with a better time to see this expressed in data. At the time of writing, several critical elements of the service economy are truly floundering. On a year over year basis, hotel occupancy is still down 33%, travel and navigation app usage is down 50%, U.S. Seated Diners is down 48%, and TSA traffic is down 62%. Meanwhile, the work at home economy has been more resilient but our overall unemployment rate is still 7%—about double where we were as we entered 2020.
4. You can't just say, "the market recovered." There are vastly different stories being told depending on what index you looked at (Data as of 10/31/20). The S&P500 was up 2.77%, but the Dow Jones Select Dividend Index was down 18.53%. The Russell 3000 Growth was up 19.11%, but the Russell 3000 Value was down 13.15%. MSCI All country world index was down .68% while



SO...WHAT JUST HAPPENED? (CONTINUED)

BY DAVID YOUNIS, CFP®

Developed Europe was down 8.77%. The Barclays U.S. Aggregate Bond index was up 6.32%. Gold has rallied just over 20% and as you're likely aware, you get just about 0% interest in your checking and savings. This is uneven to be sure.

5. Joe Biden was elected to be the next president of the United States. The most likely result, pending the runoff in GA, will be a divided government. A reminder: historical data going back to 1947 indicates Republican controlled government (occurring 11% of the time) saw 12.8% average S & P 500 returns, Democrat controlled government (occurring 27% of the time) saw 9.8% average returns and dividend government saw average rates of return at 7.8%. When it comes to GDP, respectively the figures are 2.8%, 4% and 2.8%. All positive on average. It does not pay to invest through a political bias; which is not to say we shouldn't pay attention to the potential impact of policy changes. The market has rallied in the face of the perceived split government.

So now what? Acknowledging that you could write a book about any one of these topics exploring their various explanations and implications; is there anything we can learn and apply? I think so.

As we move forward into 2021:

- It has never been more important to remain diversified. Not only amongst asset classes, but also amongst your approaches to trading the market and evaluating risk.
- The Fed wields enormous influence over markets. When the Fed steps in with essentially unlimited support in the face of zero percent interest rates, equity markets tend to benefit. The last time the Fed unwound its support (In 2013, post-2008 financial crisis) the market responded poorly. It was termed the "Taper Tantrum." We should be on the lookout for similar reactions moving forward.
- The market is a forward-looking creature. Part of the explanation for the divergence we're seeing is attributable simply to this fact. Currently, it is focused on a post-vaccine world. To the extent that we are slowed in our approach to that world we would expect to see continued volatility.

In the end, tried and true principals have helped our clients weather this storm. As you approach 2021 and navigate this unusual holiday season please take this opportunity to ensure your portfolio is as resilient as you are.

- If you are retired or nearing retirement, continue to monitor your needs for larger cash outlays in the near term. The market is at a relative high, if you know you have upcoming expenses, you may benefit from positioning a portion of the portfolio to account for that need given the uncertainty we face.
- If you have more than 10 years to retirement, volatility is your friend. Establishing systematic ways of benefiting from this volatility is important. We can help you to do so.
- Tax efficiency is likely more important moving forward under a Biden Administration, but that's a broad statement and for most of our clients the impact of proposed changes to the tax code would not be a material reason to update your portfolio strategies. We can deploy strategies attuned to your specific tax needs.
- The importance of Roth IRAs will likely be amplified, particularly for younger investors under assumptions of higher tax rates over the next decade as we deal with our national indebtedness.



DAVID YOUNIS, CFP®

If you would like to discuss your portfolio, savings efforts or broader financial planning needs, please know we are here to help. We are effective and efficient when meeting virtually and can accommodate select in-person meetings while maintaining social distance. Communication is paramount during these challenging days and we look forward to seeing you again soon! Stay well, take care of your family and don't hesitate to let us know if we can be of service.