Strothman+Co

Financial News and Views

At Strothman and Company we help entrepreneurial businesses grow. At every stage. Every day. That's why we keep you up to date on relevant issues.

In This Issue:

Strothman Spotlight

Louisville Business First recently presented the 16th Fast 50 program, which recognizes the fastest-growing privately held companies from the Louisville area. We would like to congratulate four of our clients for achieving their prestigious recognition!

capture

#3 - Capture Higher Ed
917 Lily Creek Road * Louisville, Ky 40243 * 502.753.0970
CEO:
Founded locally:
Employees:
Independent contractors:2
Website: www.capturehighered.com
Growth:
Company description:

#7 - Stradegy LLC
642 S. Fourth St., Suite 400 * Louisville, Ky 40202 * 502.339.0991
Owner: Jane Pfeiffer
Founded locally: 2006
Employees: 25
Website: www.stradegyadvertising.com
Growth: 101%-179%
Company description: The advertising agency strives to implement creative strategic marketing that delivers quantifiable results.

#10 - Lenihan Sotheby's International Realty
3803 Brownsboro Road * Louisville, Ky 40207 * 502-899-2129
CEO: John Lenihan
Founded locally: 2011
Employees: 9
Independent contractors: 20
Website: www.lenihansir.com
Growth: 80%-100%
Company description: The company is a high-end residential real estate brokerage.

#11 - Integrity HR Inc.
917 Lily Creek Road * Louisville, Ky 40243 * 502.753.0970
Founder and CEO: Amy Newbanks Letke
Founded locally: 2007
Employees: 17
Independent contractors:2
Website: www.integrityhr.com
Growth: 80%-100%
Company description: Integrity HR provides human resources consulting.

#32 - Mediaura Inc.
455 S. Fourth St., Suite 808 * Louisville, Ky 40202 * 502.554.9649
Founder and CEO: Andrew N. Aebersold
Founded locally: 2003
Employees: 13
Independent contractors: 10
Website: www.mediaura.com
Growth: 30% to 39%
Company description: The digital advertising agency offers website and mobile application development, online marketing, social media, search optimization and other services.

#34 - Kinetic Corp.
200 Distillery Commons, Suite 200 * Louisville, Ky 40206 * 502.719.9500
502-719
President and CEO: Ray Schuhmann
Founded locally: 1968
Employees: 74
Website: www.thetechnologyagency.com
Growth: 30%-39%
Company description: Kinetic's software allows medium and large global enterprises to manage their high-volume translation needs. The Globalizor software has facilitated the translation of more than 200 million words.

Congress at Work: Recruiting, Reimbursing and Education

The Congress at Work series of articles is designed to give you a glimpse of various types of legislation currently under consideration. While either the Senate or the House of Representatives may initiate a bill proposal, be aware that many bills never become law; they may never make it out of committee, be blocked by a Senate filibuster, delayed, lack enough votes, never be agreed upon by the two houses, or vetoed by the president.

Quarterly Financial Report Reauthorization Act (H.R. 3116) - This bill actively targets separating members of the Armed Forces to work as Customs and Border Protection officers. This bill, which was sponsored by Rep. Martha McSally (R-AZ), was passed by both the House and the Senate in less than a week's time, and was signed into law on Oct. 16. As part of its recruiting efforts, the Department of Homeland Security will engage in job assistance efforts under the military Transition Assistance Program; provide opportunities for local CBP field offices to partner with military bases in the region; minimize the time required to hire qualified applicants; and streamline interagency transfers of relevant background investigations and security clearances.

Summaries for the Gold Star Fathers Act of 2015 (S. 136) - Signed into law on Oct. 7, this bill amends a previous act that applied only to mothers. As a result, both mothers and fathers of Armed Services members who either lost their life or became permanently and totally disabled during their service will be regarded with preference for federal employment, if: (1) the spouse of such parent is totally and permanently disabled; or (2) such parent is unmarried or legally separated from his or her spouse when applying for employment. This act was introduced by Sen. Ron Wyden (D-OR) last January.

Adoptive Family Relief Act (S. 1300) - This bill amends current immigration law to waive or refund fees related to renewing or replacing a visa issued to an immigrant child lawfully adopted by a U.S. citizen if the original visa was unable to be used during the period of its validity due to factors beyond the control of the adopting parents. The bill has a retroactive date of March 27, 2013. The bill was sponsored by Sen. Dianne Feinstein (D-CA). It passed in the Senate in July, in the House in October, and was signed into law by the president on Oct. 16.

Ensuring Access to Clinical Trials Act of 2015 (S. 139) - In an effort to find more clinical trial participants for rare diseases and conditions, this act will ensure the first $2,000 per year a patient receives for his participation will be not be counted against his eligibility for Supplemental Security (SSI) and Medicaid benefits. According to the Tufts Center for the Study of Drug Development, clinical trial enrollment rates have dropped 20 percent since 2000. This is largely attributed to the lack of financial reimbursement to patients, as low-income people (less than $20,000 a year) are 44 percent less likely to participate in a clinical trial than higher-income patients. This bill, introduced by Sen. Ron Wyden (D-OR) last January and signed into law by the president in October, is designed to increase participation by under-represented groups in clinical trials.

STEM Education Act of 2015 (H.R. 1020) - Sponsored by Rep. Lamar Smith (R-TX), this bill was signed into law on Oct. 7. It is designed to encourage greater engagement in the studies of STEM (science, technology, engineering and mathematics) subjects. The act will award competitive, merit-reviewed grants to support the development of innovative, out-of-school STEM learning environments and research that advances the field of informal STEM education. This funding includes grants to be used for National Science Foundation Master Teaching Fellowships to mathematics and science teachers who possess a bachelor's degree in their field as well as elementary or secondary school computer science teachers.

Investing in the Silver Dollar Generation

Baby boomers continue to be a driving force in economic growth and innovation in the United States and throughout the world. In fact, people age 50 and older (which technically combines boomers and seniors) have been dubbed the Silver Dollar generation in deference to their rich economic clout. In the United States, Silver Gens represent about 80 percent of the country's personal net worth and hold spending power of more than $7 trillion.

One reason this demographic continues its influential path is due to longer life spans and lower birth rates. Silver Gens are expected to reach a population of 2 billion seniors by 2050, representing more than one-third of the global population.

Even now, seniors over age 65 are one of the fastest-growing groups of consumers, with 5.3 million earning at least $150,000 a year. This means that whatever discretionary luxury items they are buying bolster profits for those companies, ranging from fine wines and champagne to art and antiques.

Forward-thinking companies are positioning themselves to meet the future needs of this generation. For example, healthcare, home improvement, long-term care services, senior housing and insurance companies are poised to benefit over the next several decades.

Healthcare
Already, spending has jumped in retail cosmetic and skincare products focused on mitigating the effects of aging. Moving forward, we can expect increased consumption of healthcare products and services. Today, the average senior in the United States spends approximately 200 percent more on healthcare than the average person. In particular, pharmaceutical manufacturers, retail pharmacies and drug stores will remain viable industries since seniors are the largest consumers of prescription drugs. With the even larger baby boomer generation next in line, these industries show no sign of slowing down. In fact, the recent trend for retail drugstores and pharmacies to offer in-store clinics and act as one-stop healthcare shops will continue, as the country shifts its focus to overall wellness initiatives.

Housing
Today, 83 percent of seniors say they want to "age in place" in their own homes. Apply that percentage to the baby boomer generation and the number explodes exponentially, likely driving new innovations in senior housing. In fact, members of the Silver Dollar generation currently are responsible for 50 percent of home renovation spending. Many have both the income and motivation to seek alternative resources for long-term care. For example, new virtual retirement villages are cropping up all over the country. These communities help seniors live independently by charging an annual fee in exchange for access to resources such as transportation, health and wellness programs, home repairs, and social and educational activities. According to Village to Village Network, presently there are more than 160 of these senior network villages in existence in the United States, with at least that many in development.

However, home renovations and community resources will not cure all the ills of old age, and despite their desire to continue living at home, most seniors have a 40 percent chance of entering a nursing home at some point. Therefore, economic analysts view long-term care facilities and services as a significant growth industry. This indicates significant upside opportunities for investments in healthcare Real Estate Investment Trusts, which own up to 20 percent of U.S. senior housing and healthcare properties.

Retirement Income Insurance
Since pensions began their rapid decline during Baby Boomer careers, the onus for providing financial security in retirement has now shifted to individuals. This phenomenon is further exacerbated by longer life expectancies, so retirees today and in the future will have to provide income and growth over a longer time horizon. Insurance companies have responded with a spectrum of products designed to provide retirement income with riders to pay for later-stage health and long-term care, as necessary. These products, which include life insurance and annuities, help protect seniors against outliving their savings.

Doing Business With Cuba: Is Your Company Ready?

After more than five decades of an economic embargo with Cuba, the Obama administration recently announced a new, less restrictive approach to how American businesses can conduct commerce with the island nation of Cuba. What do businesses need to know to make the most of the recent thawing in relations with the more than 11 million potential consumers of this Caribbean nation?

Expansion of Commercial Relations

In January and September, the Obama administration took specific action to liberalize commerce rules for U.S. businesses through the Office of Foreign Assets, part of the Department of Treasury, along with the Bureau of Industry and Security, part of the Department of Commerce.
Loosened regulations include letting authorized U.S. citizens, though not for tourism purposes exclusively, travel to Cuba via boat, ferry or airplane without explicit permission from the American government. Permitted U.S. citizens may also have bank accounts in Cuba, and American banks are able to open branches there. The bilateral warming between the U.S. and Cuba also permits some forms of legal and telecommunication services and sales.

Business Considerations

While the legal and economic environment with Cuba has and is still changing, there are many factors that must be considered before investment. With the country opening itself up to telecommunications services and corresponding devices, there is much opportunity. However, with the country's government still owning and directing most business' operations -including factories, supply centers, internal capital and legal proceedings - it is highly recommended that you remain cautious.

Another consideration is the purchasing power of the Cuban people and the limited means of tourism permitted by the United States government. With the average wage of Cuban workers at $20 a month and the United States not permitting travel to Cuba for tourism exclusively, there is some question as to how much tourism from outside the United States will support American business ventures.

Regardless of improved relations of late, there is always the possibility of internal or external government instability. Since about 2010, foreign lenders to Cuba have failed to collect more than $40 billion in Cuban debt obligations. Looking at this in the terms of the United States, it would be the equivalent of the federal government defaulting on approximately $8 trillion. Similarly, whether or not an industry is permitted to do business in Cuba, the island nation is the final arbiter of product and service licensing. This is further complicated by a prohibition on international transactions in U.S. dollars and current credit terms run from nine to 24 months.

How fast and how much more deregulation will occur is up in the air. Due to Congressional action moving the power to end deregulation from the President to Congress after the Helms-Burton Act was passed in 1996, Congress needs to repeal this legislation before the Cuban Embargo can be lifted. Further commerce may also be slowed by gridlock between those industries that want the embargo lifted and the interests that don't, including anti-communism and human rights groups.

While these regulations by no means permit the free trade American businesses have with European, Asian and South American businesses, some see these steps by the Obama administration as a signal to prompt Congress to do its part to permit greater business access in Cuba.

Sources
http://www.interproinc.com/blog/everything-you-need-to-know-about-doing-business-with-cuba

http://www.nbcnews.com/storyline/u-s-cuba-relations/u-s-eases-travel-trade-rules-doing-business-cuba-n429881

http://www.mondaq.com/unitedstates/x/437094/Export+controls+Trade+Investment+Sanctions/Will+Loosening+Cuban+Trade+Sanctions+Be+A+Boon+For+US+Business+Not+Necessarily

http://www.theguardian.com/world/2015/sep/18/us-cuba-travel-business-rules-eased

https://www.americanexpress.com/us/small-business/openforum/articles/evaluate-cuba-opportunity/

http://www.miamiherald.com/news/nation-world/world/americas/cuba/article9855359.html

http://www.reuters.com/article/2015/09/19/us-cuba-usa-business-idUSKCN0RJ01Q20150919

http://www.reuters.com/article/2015/09/19/us-cuba-usa-business-idUSKCN0RJ01Q20150919

Stock Market: Back in the Black

After a summer of slumps and declines, the stock market roared back to life in October, posting a three-week rally that saw the Dow Jones Industrial Average closing at 17,646.70 on Oct. 23 - up 157.54 points. This rally helped wipe out the losses the S&P 500 incurred in the months prior. Good news indeed for individual investors and market analysts alike who had begun to wonder if the market was on a downward trajectory.

Summer gave investors a lesson in hanging tough. After six months of choppy performance, the S&P dropped 12 percent from mid-July to its low point in late August. Worries about a possible decline in corporate profits in the United States, plus growing pessimism about the weakening Chinese economy helped to keep the stock market in the doldrums. Disappointing economic news from Europe and Japan also served to cast a shadow over Wall Street during the summer when investment experts wondered if this downturn, the first in four years, would lead us into a disappointing earnings season.

The bull market proved, as we entered the fourth quarter of 2015, that news of its demise had been greatly exaggerated. The S&P 500 closed the third week of October at 2,075.15 to bring the index back to the numbers it posted in January 2015. What's behind the rebound? It's often difficult to find logical cause and effect in the world's markets, but experts point to some factors that are shaping this rally.

- Of the many factors - including geopolitics, interest rates and exchange rates - that can affect the market, earnings performance remains a key consideration for many investors. The upcoming corporate earnings season suddenly has begun to look a lot rosier than originally expected, with technology leaders like Amazon and Google posting profit levels that exceeded expectations. Airlines are seeing revenues and profits soar thanks to declining oil prices.
- The Federal Reserve's September decision to hold off raising interest rates also proved to be a reassuring sign to investors nervous about the possible impact of gradual increases on the U.S. economy. The Fed's policy has kept key interest rates at about

zero for seven years, and economists speculate that they'll stay that way for at least a little longer.

- The Fed is not the only central bank to take an active role in helping spur economic growth. The Chinese central bank announced further benchmark interest rate cuts for loans and deposits in mid-October. This move is credited with offsetting some investors' concerns about how China's slowing economy might affect U.S. trade and economic growth. European central banks are following a similar monetary policy.
- Of course, there is a downside to offset some of the good news. Declining oil prices are good for certain industry sectors, but sharp decreases have taken their toll on energy companies' earnings and the many large engineering and technology corporations whose profits are closely aligned with those of their oil company clients.
- A global slump in commodities, as well as an abrupt end to China's booming demand for energy and raw materials, has caused downturns for farmers as well as steel works, mining companies and manufacturers of heavy equipment in the United States and worldwide. Economists believe the commodity slump is bottoming out, but many predict depressed oil prices will be with us for some time.

The commentary above is intended to be general in nature. It is not intended to be a substitute for professional advice from a tax and investment expert.

New Trade Pact Could Impact Your Business

More than five years of contentious negotiations have come to an end, and the Trans-Pacific Partnership is now complete. The TPP is the largest trade deal in more than two decades. It joins 12 countries, including the United States, in easing tariffs, creating agreed-upon minimal standards for both worker and environmental protections, and establishing intellectual property protections. Proponents believe the agreement will help increase American-made exports, thereby growing the U.S. economy, providing well-paying jobs, and strengthening the middle class.

The TPP is no small development. It involves more than 40 percent of the world's competing economies, making it a big deal for business owners of all sizes. The TPP is not law yet in the United States because it must still be approved by Congress. During the summer of 2015, Congress granted President Obama fast-track authority to negotiate the deal. This means the President and his administration were given complete authority to craft the agreement, which must be given a straight up or down vote by Congress without the possibility of amendments or filibusters. Many groups are opposed to the TPP, including an unlikely alliance of labor unions, certain Democratic factions and Tea Party Republicans.

U.S. businesses are likely to experience significant changes if the TPP passes Congress and becomes law. The TPP removes tariffs on thousands of different goods manufactured in the United States. As a result, manufacturers who export their products directly to TPP member countries should experience increased economic activity. The U.S. Chamber of Commerce expects the TPP to spur a $125 billion increase in U.S. exports over the next decade. On the other hand, the TPP applies both ways, so U.S. manufacturers can expect increased competition as well. Tariffs will fall on TPP member goods coming into the United States on everything from electronics to textiles. Tariffs in the following areas represent the most significant changes.

- Manufactured products: Tariffs are eliminated on every manufactured product that the U.S. exports to TPP countries. For example, U.S. manufactured machinery currently has import taxes as high as 59 percent added to it by importing TPP countries.
- Agriculture products: Import taxes on American agricultural products to TPP countries are reduced. Import taxes currently as high as 40 percent on poultry products, 35 percent on soybeans and 40 percent on fruit will be lowered.
- Automotive products: Tariffs that are currently as high as 70 percent on U.S. automotive products are eliminated.
- Information and communication technology: The TPP eliminates import taxes as high as 35 percent on American-made IT exports to TPP countries.

Further, the TPP gives greater authority among Pacific Rim Nations to the United States instead of granting that role to China. China however has its own trade agreement in the making, known as the Regional Comprehensive Economic Partnership. The TPP primarily favors the United States because China is widely perceived to have lower labor and environmental standards. The trade deal could also give the United States more leverage in negotiations regarding China's currency manipulation. Currently, China enables the value of TPP partners' currencies to remain artificially low, thereby making it more difficult for U.S. companies to sell their goods in the Asia-Pacific region.

There are many other specifics in the TPP that can affect businesses; however, just these few tariff-related items are significant in their own right. Keep an eye out in 2016 to see if the TPP becomes law and these changes actually become a reality.

Technology: Senate Gives Nod to Long-Delayed Cybersecurity Bill

A much-delayed cybersecurity bill aimed at combating cyber crooks by encouraging companies and Government agencies to share relevant information without fear of privacy lawsuits is on the verge of obtaining Senate approval. In April, Congress passed its version of the Cybersecurity Information Sharing Act with backing from both Democrats and Republicans. Passage of this bill has been stymied by opposition from technology industry leaders, including Apple and the Computer and Communications Industry Association, a group that includes Amazon, Facebook and Google as well as other major industry players among its membership.

Hot on the heels of CCIA's declared opposition, Twitter registered its protest just before the Senate's procedural vote at the end of the third week of October. Twitter, like its compatriots from CCIA and civil liberties groups, opposes the bill on privacy grounds. Yet the bill is not without support from other technology industry trade groups and also is backed by the U.S. Chamber of Commerce. The Financial Services Roundtable is one such advocate that expressed its support for CISA in a letter to Congress. Members of the Roundtable include companies that might be considered most at risk from attack by cyber crooks. The Senate has indicated to both supporters and naysayers that the time for debate is over by passing a preliminary vote to advance the bill for final voting during the last week of October.
Here are some of the key issues that have surfaced during the debate:

- To its critics, the philosophy behind the Cybersecurity bill appears to be more about surveillance than it is about security. The bill does not outline proposed precautions to safeguard individual user privacy. This lack of clarity regarding how the government plans to safeguard individual privacy is the reason for much of the opposition to CISA.

- The fine line between privacy and cyber surveillance is not a new issue. The battle lines between tech companies that advocate for individual privacy protection and government agencies that want more regulation of the way technology companies handle customer data already existed before CISA was unveiled earlier this year.
- Supporters of the bill underscore that participation is voluntary, and that CISA will help technology companies identify threats to their security systems and potential breaches that imperil confidential customer data.
- CISA opponents are concerned that the bill sets a precedent which might be used to launch more legislation to expand the government's review and regulation of data collection. They believe the proposed access by law enforcement agencies into data systems, including encrypted data, has many serious legal and ethical issues.
- The White House supports the bill but wants Homeland Security to run the information-sharing program. The administration also noted that it would "strongly oppose" any further amendments to expand the provisions of CISA as it currently stands.
- Concerns have been raised about the government's ability to protect the data it secures through CISA. Critics argue that CISA will actually expose private data to more potential risk.

The security versus privacy argument is complex and there are no simple answers. The White House has yet to weigh in on the final resolution of the CISA conundrum and has stated that it is "committed to continue working with stakeholders to address remaining concerns."

Don't Forget to Register for Our Upcoming Seminar!

The Strothman Wealth Care Group Presents:

Investing with Purpose

Grow Your Wealth While Managing Downside Risks

Thursday, November 12, 2015
Owl Creek Country Club
12400 North Osage Road
Anchorage, Kentucky 40223

Registration 7:30 AM
Seminar 8:00 AM - 10:00 AM
Refreshments Provided

Investing your hard earned money has been extremely difficult in the last few years. On one hand, you need to achieve an adequate investment return to meet your retirement goals. On the other hand, you need to implement strategies to guard against catastrophic market downturns. This seminar will cover suggestions for maximizing investment returns, while properly managing downside risks.

For many years, Strothman and Company has been in a strategic alliance with Lamkin Wealth Management (LWM) to advise our clients on how to properly manager their investments. The combination of CPAs and investment professionals working together as a team has been an approach many of our clients appreciate. We are taking this to the next level through the creation of the Strothman Wealth Care Group, a joint venture with LML. Strothman Wealth Care will have professionals on site in our offices and will be available to consult with our clients.

This seminar will take place at Owl Creek Country Club. Please invite friends and associates to attend this FREE seminar. This Strothman and Company seminar is designed to qualify for two hours of Continuing Professional Education (CPE) for CPAs.

Make your reservations by November 9, 2015!

Seminar Registration!

Strothman and Company | 502.585.1600 | **Visit Our Webpage**

See what's happening on our social sites:

Strothman and Company | 325 West Main Street | 1600 Waterfront Plaza | Louisville | KY | 40202