

ON TOPIC**Q: What does the condition of your business clients' finances say about the state of the economy?**

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PROFESSIONAL SERVICES clients have seen a scale back of elective/ancillary services. Providers still maintain their market share but there is less revenue because the frequency of visits has declined. Manufacturing clients adjusted their pricing and sell the same number of goods, however, margins are not as high. There is higher product turnover and cost control is crucial to profitability. Rental property owners have experienced an increase in rentals with people hesitant to buy and with those individuals who needed to sell their homes for economic reasons now in need of renting. In the long-term health care industry, revenue continues to rise because of the aging population and service demand. There has been lower profit because of reimbursement restrictions, higher labor and insurance costs. ■



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WE ARE SEEING mixed conditions depending on the type of business. We are also continuing to see a very tight hold on business and individual credit from lending institutions. While the recent signs on Wall Street have been good, we have not seen that optimism filtering down to our clients. As a tax practitioner, I have noted that the current economy has increased our clients' interest in minimizing their tax liabilities through effective planning. Additionally, we have seen an increased awareness in investing in renewable energy sources such as solar power systems or replacement lighting. There exists some very potent federal and state tax incentives in these areas; not to mention the long-term savings in utility costs for the business. ■



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OUR CLIENTS' financial condition is sending mixed signals. There appears to be a significant rotation among sectors / industries. Industries related to financial services, housing, real estate and construction appear to be somewhat stabilizing, although the fallout from the past economic deterioration continues to reduce players in these industries through consolidation, bankruptcy, etc. However, certain industries appear to have rebounded nicely and are poised for reasonable growth, including non-commoditized manufacturing, business services, technology, health care and life sciences. There is also increasing evidence of a "jobless recovery" wherein companies experiencing growth rehire only a fraction of their previous workers. ■



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I'M SEEING that clients are more confident than in past years that the economy is improving. The values of clients' securities are increasing. While this is not necessarily the case with their real estate holdings, they are showing optimism. More clients are restructuring ownership of residential property, especially vacation homes and industrial real estate, as gifts for their children, with the belief that these assets will appreciate by the time of inheritance. The restructuring of these assets into limited partnerships with simultaneous gifts to descendants reflects optimism that the economy will return to pre-2008 levels, and that their holdings and portfolios will increase in value. ■



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IN 2010, management remained focused on cost-containment while being cautious related to investment. Current expectations are for a solid 2011 from a revenue perspective with a positive impact anticipated from the 2010 efforts. I am now seeing an uptick in activity around expansion through acquisition, internal reorganization to better focus on the market, as well as strategic investment in personnel. There has also been a move toward re-investment in technology and process-improvement, which were probably among the earliest of investment dollars to be curtailed. I believe the economy is clearly in recovery now. My clients are once again investing in growing their businesses both internally and externally and are no longer taking a wait-and-see attitude. They are being proactive and opportunistic which is obviously good for the economy. ■

— Compiled by Sonja Sherwood