

Advisory Notes



SEPTEMBER 2016

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Third Quarter Results and Spiked Volatility as Election Heats Up

After a relatively calm summer rally, volatility has certainly picked up. The S&P 500 didn't decline more than 1% for 52 consecutive trading sessions, before Friday, September 9, when there was a



2.5% decline. Volatility spiked in the ensuing week, largely fueled by a renewed uncertainty regarding global central bank policy, rising U.S. and global bond yields, valuation concerns and the U.S. election.

Patience can be difficult in the current environment, where we seem to be on an economic rollercoaster. According to ISI Evercore Research, economic data appeared to be perking up in June and July, with better readings on durable goods orders, housing data, indus-

trial production and railcar loadings. Manufacturing still appears to be spinning its wheels, while the service side also seemed to hit a speed bump during the quarter.

The labor market still looks healthy, but the rate of improvement appears to be slowing. This should be expected as a tighter labor market means there are fewer qualified workers to fill open positions which, according to the July JOLTS (Job Openings and Labor Turnover Survey) report, hit a record high.

Recently, there was also some very good news on the personal income front. The U.S. Census reported that median incomes rose from \$53,718 to \$56,516 - the largest arithmetic and percentage increase in the history of the data back to 1967. While real median incomes are still below their 2007 peak of \$57,423, the spiking income growth is being driven mostly by the bottom two deciles of income distribu-

(See **Third Quarter** on page 3)

Market Table

Valicenti Advisory Services, Inc. Comparative Index Period Returns From 06-30-16 THROUGH 09-30-16							
	DJIA	S&P 500	NASDAQ	Russell 2000 Index	Lehman Muni Bond Index	Citi Corp Corporate Bond Index	U.S. Treasury Bill Index (90 day)
06-30-16 to 07-31-16	2.94	3.69	6.60	5.90	0.07	1.56	0.00
07-31-16 to 08-31-16	0.26	0.14	0.99	1.64	0.15	0.22	0.03
08-31-16 to 09-30-16	-0.41	0.02	1.89	0.95	-0.55	-0.24	0.09
Cumulative Returns-Q3 06-30-16 to 09-30-16	2.78	3.85	9.69	8.66	-0.33	1.54	0.12
YTD Returns 12-31-15 to 09-30-16	7.21	7.84	6.08	10.19	4.41	9.38	0.22

Trump vs. Clinton

The 2016 Presidential Election offers investors different opportunities to capitalize on the potential victory of either Mr. Trump or Mrs. Clinton. For the sake of this exercise, we will assume the



House of Representatives remains Republican, as it is unlikely to change hands. We will also assume Senate control will likely be in the hands of whoever wins the presidency. This is an apolitical look at industry sectors that may benefit or be constrained by either candidate. Probabilities are based on whether there is bipartisan support (very high probability), if action can be taken through the executive branch or with a plurality of Congressional support (high), if Congressional action would face opposition (good) or if Congressional action would face stiff opposition subject to filibuster (lower).

Industries poised to benefit from a Trump presidency:

Very high probability (above 85%):

Smaller Banks: In December, a bipartisan deal was nearly struck to exempt smaller banks from Dodd-Frank regulations, which create costly compliance for smaller institutions. The deal fell apart due to White House pressure, as Treasury Secretary Jack Lew condemned such a curtailment in the law. A new administration would be favorable to rollback burdensome regulations that affect banks too small to jeopardize the economy.

High probability (above 75%):

Oil & Gas: Trump has criticized the Obama administration for its policies that have eliminated thousands of coal worker jobs while also blocking expansion of oil & gas exploration on Federal lands. Expect the Republicans to roll back coal power plant emissions regulations that were enacted in 2011 while also accelerating permits

for exploration on Uncle Sam's property. Similarly, expect pipelines to benefit as his administration is likely to allow for new construction between the U.S. and Canada.

Military Defense Contractors: Trump has pointed out that the active duty armed forces have shrunk 40% since 1991. The number of Navy ships has been reduced and the Air Force is one third smaller. He has vowed for over a year to rebuild the military as a first order priority.

Aggregate Materials: The Republican has favored infrastructure spending to repair our deteriorating roads and bridges. Estimates have ranged between \$250 billion and \$500 billion in infrastructure expenditures. Construction of a "wall" on the southern border would also aid demand for such materials.

Good probability (above 50%):

Luxury Retail: Trump's tax plan would eliminate tax brackets above 33%, the Alternative Minimum Tax and the Death Tax while also increasing the standard deduction. Wealthier Americans would benefit from an increase in disposable income, which would benefit retailers servicing the more affluent.

For Profit Education: The Obama administration has investigated for profit colleges since 2010, criticizing their cost and sales tactics versus low graduation rates and low likelihood of graduates finding positions in their chosen fields. Trump, who ran Trump University, is unlikely to continue investigations into the industry much less reforms.

Drug Companies: Although Trump has argued he would negotiate on drug pricing for Medicare/Medicaid, this is far better than the alternative proposed by the Democrats, which involves price ceilings. The Republican would also prefer a more efficient FDA, further streamlining the approval process for new drugs including generics that would lower costs for drug firms.

Lower probability (above 25%):

Private Prisons: During the Republican debates, candidate Trump stated that private prisons seem to work better. The view is that such prisons are more cost-effective.

Industries poised to benefit from a Clinton presidency:

Very high probability (above 85%):

Smaller Banks: In December, a bipartisan deal was nearly struck to exempt smaller banks from Dodd-Frank regulations, which create costly compliance for smaller institutions. The deal fell apart from White House pressure as Treasury Secretary Jack Lew condemned such a curtailment in the law. A new administration would be favorable to rolling back burdensome regulations that affect banks too small to jeopardize the economy.

High probability (above 75%):

Aggregate Materials: The Democrat has favored infrastructure spending to repair our deteriorating roads and bridges. Her plan targets \$250 billion in infrastructure spending.

Military Defense Contractors: Although not as hawkish as Trump, Clinton is less dovish than Obama and would be more apt to negotiate with Congress for higher defense spending as a trade-off for increased domestic social expenditures.

Good probability (above 50%):

Hospitals and Health Insurance: The medical industry benefits from a greater percentage of patients being insured, which reduces bad debt expense at institutions as there are fewer uninsured individuals renegeing on medical bills. Nineteen states have not expanded their Medicaid programs, allowing for a higher income threshold for inclusion. Clinton favors incentives to encourage adoption. Expansion would increase the percentage of insured thereby improving hospital earnings. Florida and Texas are two significant large state holdouts.

Low Income Oriented Retail: Clinton has stated her desire for targeted tax cuts for low and middle income families. This would tend to boost performance for low end retail, as occurred when Obama temporarily suspended the Social Security tax early in his administration.

(See Trump vs. Clinton on next page)

Trump vs. Clinton

(Continued from previous page)

Solar Industry: Clinton has favored reducing the amount of carbon emissions and subsidizing “green” energy producers. As occurred in 2009-2010 under Obama, the industry benefited from subsidies authorized by Congress.

Homebuilders: The Democrats have a long history favoring affordable housing through tax credits and implicit guarantees that back mortgages through Fannie Mae. Such programs push costs down and enable lower down payments.

Lower probability (above 25%):

Hospitality: Clinton is in favor of a “path to citizenship” for illegal aliens (as defined by the Federal Government), a source of cheap labor for the industry. Such a move would increase the pool of low cost labor benefitting the expense line.

Industries likely to be hurt by a Trump presidency:

Good probability (above 50%):

Hospitals and Health Insurance: The Republican has vowed to repeal and to replace Obamacare within the first 100 days in office. What would replace Obamacare under his administration is a great unknown. If the law were significantly rolled back, insurance companies would lose customers without the government subsidies and hospitals would see bad debt expense increase due to a greater percentage of uninsured patients.

Railroads: Pledging to renegotiate trade deals that he deems “unfair”, Trump may spark trade wars that would reduce international trade. Railroads would see less volume from cross country shipments that feed export markets.

Homebuilders, Money Transfer Businesses and Hospitality: Trump has promised to enforce American immigration laws as his first executive order. Increased deportation of illegal aliens (as defined by the Federal Government) coupled with the possible building of a border wall would cut demand for housing and money trans-

fers in the country. Such actions would also cut the supply of low cost labor for the hospitality industry.

Lower probability (above 25%):

U.S. Treasury Bonds: Trump’s tough talk on trade and international diplomacy may cause dumping of bonds by foreign countries in retaliation of political moves he may take. Such dumping would only cause shorter-term pressure on bond markets.

Industries likely to be hurt by a Clinton presidency:

Good probability (above 50%):

Oil & Gas: Clinton favors a repeal of tax breaks granted the industry during the Bush administration. She is also likely to continue pushing executive rules that limit carbon emissions that created job losses in the coal industry.

Drug/Biotech: The Democrat has hinted at imposing price ceilings for Medicare/Medicaid participants, which would hamper profit margins and drug development in the industry.

Lower probability (above 25%):

Private Prisons: Clinton has stated her desire to phase out the private prison industry as she campaigned against Bernie Sanders who favored a ban. Recently, Obama moved to end the use of private prisons for inmate housing with the exception of inmates with border crossing violations. Clinton would end the use of private prisons for all Federal use and may champion a national phase out at the state level. It is unclear whether she would ultimately take such action considering the industry made over \$133,000 in donations for pro-Hillary PACs.

Louis F. Ruize

Director of Research/Portfolio Manager

Third Quarter

(Continued from page 1)

tion, which is good news in terms of income equality.

It’s not just the Fed watching that has concerned investors, The Bank of Japan (BOJ) Governor Haruhiko Kuroda, in his first speech since the BOJ’s decision to overhaul its radical stimulus program, said the central bank stands ready to use every available tool to achieve its 2% inflation target and get Japan out of its decades long stagflation. While the Fed left rates unchanged, it certainly pointed to a December hike if all continues along the same plan. There is, however, a high level of debate on monetary policy between the hawkish and the dovish Fed governors.

The Summary of Economic Projections suggests that the level of interest rates will remain low compared to historical averages. Over the years, the Fed has lowered its long-run expectation for the federal funds rate from 4.25% in 2012 to just 2.875% in the latest estimate.

This election season could be the most watched since the Carter-Reagan debates in the 1980 election. As we move into the election, the two candidates should provide fireworks. Although these are the two lowest rated candidates in history, their strength of staff or bench support could provide the difference in this election. (See inside article to gain more insight into the election.)

Rates of returns have been positive this year for both stocks and bonds (See Market Table) as the search for yield and quality earnings have powered the markets forward. We believe the long-running equity bull market should stay intact with modest economic growth continuing. Investors should remain diversified within their specific income and financial needs.

Joseph M. Valicenti

President/CEO

Analyst Corner

The past few quarters we have “drilled down” on the specific industry sectors which have driven returns this year and have also examined how our two main markets of focus, U.S. Large Cap equities and U.S. Investment Grade Corporate fixed income, have each performed and provided absolute returns. The S&P 500 has built on its total return performance after a solid July and is up 6.7% in 2016, to date up 2.7% in Q3 alone, while the Investment Grade Corporate fixed income market has produced returns of 8.1% as measured by the Barclays U.S. Aggregate Credit Investment Grade Index. Following the Labor Day holiday, there has been a small uptick in market volatility, so let’s examine where we are right now as we begin the final quarter of 2016.



After the liftoff of short-term interest rates in December of 2015 and after nearly a decade without an interest rate rise, the Federal Reserve has yet to raise rates again in any month of 2016. Rates at the short end of the curve as well as the longer end of the curve out to 5 and 10 years are still relatively low. This alone is supportive enough of equity valuations yet, due to the absolute level of policy rates, lower bond yields on fixed income instruments are the norm. As a result, asset allocators and investors moved into some value equity spaces to find alternative sources of income with perceived stable and steady dividend payers. What has been the result? Names in sectors like Telecommunication Services and Consumer Staples have broadly performed and, in some instances, year to date company price returns are in the high double digits, greatly outperforming the overall S&P 500 index. We may have arrived at the point that some of these valuations are now slightly ahead

Positive Market Influences

Low Rate Environment
Expected EPS & Sales Growth

Negative Market Influences

Slowing GDP Growth
Central Bank Policy Ambiguity
Re-emergence of European Bank Concerns

of themselves and, should rates move higher even just a bit from here, there could be some pullback in the premium that one has to pay for these companies.

Does this mean that investors can simply figure on a return to a higher rate environment? Rates could very easily move a little higher here, but there is likely a limit to that upside in the short term. The environment right now is an uncertain one and, as always, upcoming events will fill in the blank spaces. It is an election year cycle and policy; therefore, economic and business incentives will be hammered out by a new administration, whichever side of the aisle ascends to the Presidency.

Global Monetary Policy by various central banks seems to be under review worldwide and market participants will be watching for more guidance about prevailing views. The predominant issue that is preventing a more constructive market outlook at present, however, is the current lack of robust economic growth. The trajectory or initiation of a new trend for our markets will likely depend on what happens with growth. It has been trending lower in the last three years. For example, the U.S. economy produced nominal (before inflation) growth of 4.2% in 2014, 3.70% in 2015 and around 2.4% over the first six months of 2016. This is probably not enough output to maintain the market status quo over the long term. This places all the more emphasis on finding positive catalysts to reaccelerate output as we conclude 2016.

From a market symmetry perspective, emerging negative influences are being countered for now through continued low rates and expectations for a return to positive corporate performance.

Positive Market Influences:

- Low Rate Environment – The absolute low level of interest rates has been and continues to be a tailwind for equity valuations.
- Expected EPS & Sales Growth – Company top and bottom lines have largely seen quarterly YoY contractions for the last 4 to 5 quarters. Expectations for Q4 2016, however, are for a return to positive earnings and top line sales growth marking a possible inflection point.

Negative Market Influences:

- Slowing GDP Growth – Nominal growth in the 2.5% to 3.0% range even in a subdued inflation environment will have to accelerate to alleviate concerns about the business cycle.
- Central Bank Policy Ambiguity – As growth wanes, the question of efficacy of Central Bank Policy is a topic of the times. The process of tightening policy has been riddled with fits and starts in the U.S. causing a great deal of ambiguity for market participants which makes it harder to assess probabilities and outcomes in the financial sphere.
- Re-emergence of European Bank Concerns – Back in 2011, when peripheral European yields lifted to higher levels, they set in motion some turbulence. Post Brexit issues around more than just the periphery are in play as the Italian banking system has a developing problem in that 17% of its loans are non-performing and questions about Germany’s Deutsche Bank and the level of the bank’s capitalization persist.

Daniel P. Burchill
Security Analyst

Investment Strategy

Markets continued to see volatility during the third quarter of 2016, with political and economic concerns both at home and abroad. U.S. major equity averages climbed that “wall of worry” to reach new highs during the quarter.



This volatility will likely persist in the weeks ahead as markets analyze the pros and cons of the upcoming U.S. presidential election. In addition, the Federal Reserve continues to leave the threat of an interest rate hike on the table in 2016 and beyond.

While we remain cautiously optimistic with the U.S. economy and corporate earnings, our asset mix will remain flexible in the current environment. Our focus remains on larger U.S. companies that show positive earnings growth and improving balance sheets, along with good cash flow.

We view pullbacks in the market as opportunities for purchases and with our flexible asset mix our attention will continue to be on those companies with successful fundamentals. Our fixed income will be in a range of 30%-45%, cash between 10%-25% and equities from 35%-60%. The asset mix will vary based on client income needs, risk levels and client specific directives.

Jeffrey S. Naylor
Executive Vice President/CFO



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Employee Corner

We are pleased to announce that Caitlyn E. Disbrow, Matthew L. Melott and Louis F. Ruize have joined our firm.

Caitlyn is a graduate of St. Bonaventure University with a Bachelor of Arts degree in Sociology. Prior to joining VASI, she was employed in a variety of positions including serving as an Administrative Assistant, an Office Manager and an Inside Sales Representative for local small businesses.

As the receptionist of the Investment office, Caitlyn’s responsibilities include answering and directing phone calls, welcoming clients and vendors, office supply ordering and distribution and handling of mail and client correspondence.

Matt is a graduate of Pennsylvania State University, Capital College, with a Bachelor of Science degree in Finance and he spent time in the Army Reserve Officer Training Core as a campus leader. Prior to joining the firm, Matt interned as a Credit Analyst at a large agricultural lender.

As Security Analyst and Trader, Matt’s responsibilities include security analysis, trading and assisting the portfolio managers with portfolio management tasks and special projects. Matt is part of the Investment Committee that meets weekly to review and to analyze market conditions, economic factors and sector trends.

Louis earned his Bachelor degree in Economics, summa cum laude and also an M.B.A. in Financial Economics from Fairleigh Dickinson University. Prior to joining the firm, Louis served as Director of Research, Portfolio Manager and Equity Analyst at other financial institutions since starting his investment career in 2001. Since 2001, he has covered each industry sector for investment analysis and suitability for client portfolios. Prior to his career in investments, he was a member of the faculty at Fairleigh Dickinson University where he taught Finance and Economics. He is a member of the New York Society of Security Analysts and the CFA Institute.

As Director of Research and a Portfolio Manager, Louis manages individual client portfolios, which includes determining asset allocations and security selections. As a member of the Investment Committee, he oversees the investment research process including reviewing existing and potential investment opportunities.

Please join us in welcoming our new team players.

Ralph H. Roberts, Jr.
Vice President/Client Services



Caitlyn E. Disbrow



Matthew L. Melott



Louis F. Ruize

*The highest compliment our clients can give is
the referral of their friends and family.*

Thank you for your trust!

Alternatives to Traditional Long-Term Care Insurance

Statistics show that almost 70% of Americans turning 65 will need some type of long-term care (LTC) as they age. The U.S. Department of Health and Human Services statistics also believe 20% will likely need care for five or more years. Cost of care can exceed six figures, which is a daunting prospect for many retirees.



For many years, purchasing a long-term care insurance policy has been a common solution. Now many insurance companies providing these types of policies are facing much lower interest rates and significantly higher claims payouts. Several of these companies have raised their premiums or stopped offering the policies altogether. Fortunately, the long-term care industry has developed a number of new options that may provide more appealing coverage, given individual needs and an overall financial plan.

Traditional LTC policies are typically “use it or lose it” products, very similar to other insurance products. As a policyholder, you may pay premiums for years without ever needing the coverage and, unfor-

tunately, you never receive your cash back. There are, however, newer LTC policies that perform differently. They are often a combination of products that provide either a life insurance or annuity component and may also allow premium returns.

Hybrid long-term care policies combine traditional long-term care insurance with life insurance, while offering a return of the premium. Premiums can be paid in a lump sum or payments can be spread over a short span (10 years, for example). One advantage of a hybrid policy is that it offers a benefit whether you need long-term care, pass away or discontinue the policy and request your premiums back. The downside of these hybrid options is that the premiums tend to be high as they are providing both life insurance coverage and long-term coverage.

Permanent life insurance with long-term care riders enable a percentage of the death benefit to be used for long-term care costs. These types of policies may offer some payment flexibility in that they allow lump sum premiums or annual payments over a lifetime. Their costs tend to be lower than other types of combined coverage. There are some drawbacks to the permanent life insurance with a long-term care rider option in that the policies don’t offer

the return of premium option and the terms of reimbursement can be stringent, such as a doctor must attest that your inability to perform daily activities is permanent. For the traditional or hybrid LTC claim to be paid, you typically only need a physician’s validation that you cannot perform certain activities of daily living or that you’re cognitively impaired.

Annuities with long-term care riders have terms similar to those of fixed annuities. Investors typically purchase the annuity with a lump sum and receive a monthly benefit. In some cases, there is no additional cost incurred for the long-term care component as it’s funded by the annuity premium. The annuity would create multiple funds: one for long-term care expenses and the other for whatever you choose; however, with the complex terms of some annuity products, it is always recommended that you get the advice of your tax professional when exploring this option.

With the cost of traditional long-term care rising, now may be a good time to explore any of the options available to you and how you may integrate a long-term care strategy into your overall financial plan.

Suzanne M. Valicenti
President/CEO

Personal Insurance

- Auto
- Homeowners
- Umbrella
- Recreational Vehicles
- Motorcycle
- Watercraft

Business Insurance

- Property
- Liability
- Automobile
- Professional Coverages
- Workers Compensation
- NYS Disability

Life & Health Insurance

- Life
- Long Term Care
- Disability

Group Benefits Plan

- Health Insurance
- Dental Insurance
- Life Insurance
- Disability Insurance
- Customized Benefit Insurance



Defensive Driving Schedule

Classes: Corning Location

24 W. Market Street
Tuesday & Wednesday
6:00 – 9:30 p.m.

October 18 & 19 (*Must attend both*)

Classes: Elmira Location

400 E. Water St. or 447 E. Water St.
(*Location will depend on class size*)
Saturday: 9:00 a.m. – 3:30 p.m.

October 15 & 29

November 15 • December 3

To pre-register call Frances Allis
607-368-2784 or 607-215-0242

Required Minimum Distributions (RMD)

Now that the leaves are changing and fall is in the air, we at Valicenti Advisory Services, Inc. are reminded that 2016 is rapidly coming to a close. One of our many end-of-year tasks is to make sure that all clients who are eligible take their required minimum distribution. This article will focus on standard retirement plans, as rules are different for Inherited IRAs.

You are allowed to contribute pre-tax funds to your retirement plans (IRA, SEP IRA, SIMPLE IRA, 401(k) plan, etc.) but, eventually, the government wants to get its share. While penalty-free withdrawals from retirement accounts are allowed at the age of 59 ½, some people may not need to take any funds from their retirement plans when they retire. With very few exceptions, the government has a rule that people must begin taking distributions once they reach the age of 70 ½. The minimum amount that needs to be withdrawn from the account or plan is called the required minimum distribution or RMD.

The RMD is calculated using the balance in the account at the end of the prior year (for 2016 distributions, the balance in the retirement account as of December 31, 2015) divided by a “distribution period” from the IRS Uniform Lifetime Table or the Joint Life and Last Survivor Expectancy Table (used if the spouse is the sole beneficiary and more than 10 years young-



er than you). The “distribution period” decreases as you age, increasing the amount that is required to be withdrawn each year. For the first RMD, you must take it by April 1 of the year following the calendar year in which you reached 70 ½. So, if you turn 70 ½ in November 2016, you must take your RMD by April 1, 2017.

Each RMD after the initial one must be withdrawn by December 31 of the calendar year. To use the above example, if you turn 70 ½ in November 2016 and take your initial RMD on April 1, 2017, you will need to take another RMD for 2017 before December 31, 2017.

At Valicenti Advisory Services, Inc., we review all of the eligible retirement accounts and do the necessary calculations to make sure that each client reaching age 70 ½ or above during the year withdraws his/her RMD. For your initial RMD, you will receive a call from us in October or November to make the necessary arrangements. You may take your RMD any time during the year and, if you would like to set up a specific time, we can help you with the process.

The penalty for not taking your full RMD during the calendar year can include a 50% excise tax on the amount not distributed as required.

As always, if you have any questions regarding your RMD or any of your accounts, please give us a call.

Ann S. Nolan, RP®
Administrative Assistant

Valicenti.com!

Our new website is now live! If you have not done so already, please go to www.valicenti.com and look around our updated site. We hope this new site gives you the opportunity to know us better and outlines all of the services we can offer you.

With our clients and the environment in mind, we encourage you to think about signing up for electronic delivery of your documents for both Valicenti and Charles Schwab. Rather than having your statements pile up from year to year, you may electronically keep your records to view and print at any time. We would like to explain the benefits of having electronic delivery and would welcome a phone call from you to start the process.

Please share with us your feedback on the new website. It helps us to understand your needs and make positive changes as we are always striving to put our clients first!

Melissa B. Dixon
Administrative and Marketing Assistant



Cultivating Relationships for over 30 years
Our Clients Come First

Tax Pitfalls and Active Management

Tax traps can exist in any one of the following income and tax situations:

- Capital gains and capital gains distributions
- The sliding scale of social security income taxability
- Taxability of state tax refunds
- Possible gains with the sale of a business or rental property
- Avoiding or minimizing the effects of the Net Investment Income Tax, a new provision under the Affordable Care Act



Many clients go all year without having any idea what their year-end tax results may be. Some people over withhold taxes and get a whopping refund in April, yet struggled to pay bills all year. Other clients are not concerned about the results, because they are living for their current cash

flow. They procrastinate and put off making adjustments to their withholding taxes. By making fine-tuned adjustments to their tax withholding amounts, clients can have the best of both worlds – more than adequate monthly cash flow and a manageable amount due or even a refund at tax time.

Taxes are so complicated now. Unless you are simply a wage earner with nothing else going on in your “tax” life, you should seek sound tax advice throughout the year. Many times we will sit down with a client only to find out that he/she has executed a transaction during the year which has dire consequences, whereas we could have done some tax planning to minimize or defer the tax effects.

Additionally, we try to make sure that our clients are “living right”. This means that we discuss activities and events that are taking place in their lives in order to try to make sure that some of these activities relate to their “tax” lives so that they may be able to reap the benefits of a tax deduction or a tax credit. During the year, we make sure that clients are documenting

their business income and business deductions properly. When we ask clients at tax time how much business mileage they have incurred, how much they have donated to their church or how much inventory they had at year-end, they give us a guesstimate. Unfortunately, the “same as last year” answer does not fly. Although fewer audits are being conducted by the Internal Revenue Service, clients need to learn how to document properly because audits are getting tougher. Additionally, state and local jurisdictions are stepping up their audit activity.

Midyear tax planning should involve a lot more than running a couple of numbers. Proper planning involves discussion, client education and results. We look forward to working with you not only through tax time, but throughout the year. We are here at anytime should tax questions or concerns arise.

Paul E. Hornbuckle, CPA
Vice President of Tax and Business Services

For ALL Your Tax and Business Services Needs

Taxation

- Personalized Tax Preparation: Individual, partnership, corporation, estates, trusts and exempt organizations
- Tax Planning for individuals and businesses
- Audit assistance or representation before tax authorities
- Online research capabilities for Federal and all 50 states
- Semi-annual client newsletter

Accounting Services

- Financial statement analysis and preparation
- Bookkeeping
- Payroll
- Sales tax returns

Business Consulting

- Business Entity Design: Sole Proprietor, Partnership, Corporation and Limited Liability Company (LLC)
- Business plan design and execution
- Analysis of business direction and strategic planning
- Fringe benefit evaluation

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Valicenti Advisory Services, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Valicenti Advisory Services, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Valicenti Advisory Services, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Valicenti Advisory Services, Inc.'s current written disclosure statement discussing our advisory services and fees is available for review upon request. Please Note: Fee-Based services. Valicenti Advisory Services, Inc. provides investment advisory services on a fee basis. The Registrant does not receive any transaction/commission-based compensation for its investment advisory services. Rather, its only compensation is derived from fees paid to it by its clients as discussed on Part 2A of its written disclosure statement. However, because the Registrant is now affiliated with Valicenti Insurance Services, Inc., a New York Insurance Agency that is licensed to offer Insurance products on a commission compensation basis, the Registrant cannot hold itself out as a “fee-only” advisory firm.