



INAFP

Inland Northwest Association for Financial Professionals

INAFP NEWS

November 2009

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October Meeting Recap

Randy Barcus, Avista's Chief Economist was our speaker for the October meeting with "The Regional Economic Outlook – Challenging Times."

Last year the economy was in a time of turbulence with the odds of a recession at 50/50, inflation was expected to moderate near 1.5%, it was estimated that oil prices would drift down to \$80 and unemployment would peak at about 6%. In retrospect, forecasting the degree of turbulence was challenging for any economist. This year is challenging times! It is expected that the recession that began in December 2007 ended in mid-2009, inflation became deflation, oil prices crashed and will rise again and unemployment skyrocketed to 10%.

Job contraction in the US overall from 9/07 to 9/08 was -.7% and from 9/08 - 9/09 was -4.2%. Job contraction in Washington and Idaho from 9/07 – 9/08 was +.6% and -1.4%, respectively; in 9/08 – 9/09 was -4.1% and -5%, respectively. Return to pre-recession job levels in Washington and Idaho is expected in 2012. It is predicted that nationwide, 40 – 60% of jobs lost is not expected to recover until 6 years or beyond.

Regional implications is that unemployment rate will stay near 10 percent, skilled job market healthy except for construction, in-migration of workers continues, financial meltdown delays retirement plans for many workers that can choose the date, regional jobs recovery in mid 2011 and stock market responds accordingly.

Why the dollar is falling

On March 5th an index of the value of the American dollar against six other big currencies touched 89.11, its highest point this year. Since then, however, it has been a steady downward drift for the greenback. On Tuesday October 20th, for example, the dollar index had slipped to 75.24, its lowest point in more than a year.

This hardly constitutes an outright collapse, nor is it necessarily cause for concern. American exporters, whose goods have become more competitive abroad, are happy with their weaker currency. Similarly domestic producers may be cheered that rival, imported goods are more expensive. And European tourists, who can buy more for their Euros during weekend shopping excursions to America, may cheer too. However, the continued decline of the dollar does come against a backdrop of ominous murmurs from the likes of China and Russia, who hold much of their reserves in dollars, about the need to shift their reserves out of the greenback. Brazil's imposition of a 2% levy on portfolio inflows is also a sign that other countries are getting nervous about seeing their currencies rise against the dollar.

Worries about the dollar are hardly new. Well before the credit crunch some fretted that a collapse in the currency and a jump in Treasury-bond yields, as foreigners balked at funding America's current-account deficit, would precipitate an economic crisis. Instead sub-prime mortgages and over-leveraged financial institutions plunged the world into its worst recession since the Great Depression.

The recession, which reduced America's imports as consumers tightened their belts, has improved its trade imbalance, shrinking its current-account deficit. But ironically this has been accompanied by renewed weakness for the dollar. The simplest explanation for the currency's decline is based on risk aversion. On the days when risky assets fall, the dollar tends to go up. When risky assets rise, the dollar falls. The dollar has fallen fairly steadily since March, a period which has seen stockmarkets enjoy a phenomenal rally. Domestic American investors may be driving the relationship, repatriating funds in 2008 when they were nervous about the state of financial markets and sending the money abroad again this summer because of a perception that the global economy is reviving.

But although risk aversion may be a factor, describing the dollar as a "safe haven" seems dubious. Indeed, the weakness of American fundamentals has revived the longstanding bearish case against the currency. Some cite the American budget deficit, expected to be 13.5% of GDP this year. There is little sign that the Obama administration has a plan to reduce it, and health-care reform may add to it.



But if foreign investors are so concerned, why is the dollar's decline not accompanied by a sharp rise in bond yields? One reason may be that the Federal Reserve has been buying so much of the year's debt issuance, as part of its quantitative easing program. That has helped to keep yields down.

A simple dynamic may be at work: supply and demand. Last year the market was short of dollars because investors needed the American currency to meet their liquidity needs. This year QE is creating a surplus of dollars (and pounds) and is thus driving both currencies down. The use of QE also creates a problem for central banks as they contemplate their exit strategies. An early abandonment of the approach could cause bond yields to rise sharply, unless there is an unexpectedly dramatic improvement in the fiscal position. But continuing QE could cause further currency weakness.

It is hard to see what the American authorities could do to bolster their currency even if they wanted to. Low yields offer little support to the dollar. The Fed seems highly unlikely to raise interest rates from their near-zero levels over the next 12 months or so. But it is hard, also, to think of a parallel in history. A country heavily in debt to foreigners, with a government deficit it is making little headway at controlling, is creating vast amounts of additional currency. Yet it is allowed to get away with very low interest rates. Eventually such an arrangement must surely break down, bringing a new currency system into being, just as Bretton Woods emerged in the 1940s.

The absence of a credible alternative to the dollar means that, despite its declining value, its status as the world's reserve currency is not seriously under threat. But the system could change in other ways. A world where currencies traded within bands, or where foreign creditors insist on America issuing some debt in other currencies are all real possibilities as the world adjusts to a declining dollar.

From Economist.com

November's Meeting Topic

Please join us and 6th District State Representative Kevin Parker for a discussion on how the Economic downturn is affecting businesses and legislation in Washington State and current legislation that will affect taxes and business related programs in Washington. Rep. Parker is the president of GTG Ventures, which owns an expanding business of three coffee shops. Previously, he started and owned Parker and Associates, a financial services business. In 2009, he was included on Inland Business Catalyst's "20 under 40" list for emerging young professionals who are having an impact on the Spokane community. Rep. Parker received his bachelor's degree in political science at Whitworth University in Spokane. He earned his master's degree in business administration from George Fox University in Newberg, Oregon and went on to earn a certificate of leadership at Harvard University. Kevin and his wife of 12 years, Kerry, live in Spokane with their young daughters Emelia and Eve.

Taking steps to running a paperless office

For many accountant professionals the idea of running a paperless office is actually a "paper tiger." The belief is that too many aspects of the profession are based on "paper and pencil" techniques, and therefore, there are many accountants unwilling to make many changes in this arena. While understandable indeed, the basic ideas behind this concept are to lower costs, reduce the amount of clutter caused by papers, envelopes, and files, and generally streamline office efficiency. Here are some ideas that can get you started in helping to make your office life a little less cluttered and more organized.

A good place to start is investing in a scanner rather than a copy machine. This way, you can start to upload your incoming bills and documents into your computer system instead of continuously storing them in your file cabinet. Aside from the obvious cost and space savings of not having to purchase physical cabinets, when these documents are digitalized, they are much more readily available to your clients. If you think about it logically, the time it takes to scan a document is basically the same time it takes to copy it anyhow!

Another fantastic contributor to the fight against unnecessary paper use is obtaining a Web site. Choose a provider that specializes in offering accounting features to help organize your practice. Some of the functions of the Web site can allow you to upload and transfer client files through the site. This eliminates the need for faxing papers or having to make many copies for record keeping. Your site provider might also offer an online storage system for archiving documents for you and your client. You can also incorporate an online billing method to help cut back costs with mailing and to ensure payments are made on time. People have also used their Web site to replace physical brochures and flyers.

It might seem difficult to believe all the benefits surrounding a "paperless office" truly related to the simple task of reducing paper. When you start to sift through all the layers of a functioning accounting office, you can begin to realize the payoffs: No more rummaging through piles of paper, less time spent looking for bills or client documents, no more buying unnecessary amounts of office supplies, and a much cleaner and efficient office atmosphere.

From AccountingWeb.com

Personal Checks Falling Out of Favor With Retailers

Some merchants are considering no longer accepting paper checks as electronic payments become increasingly pervasive. In 2008 online retailer eBay removed checks as an acceptable payment option; however, Whole Foods Market is the first major grocery-store chain to pilot a plan to ban personal checks for all transactions. Whole Foods' Libba Letton says the motivating reasons for her company's zero-check trial include check fraud issues and the desire to expedite the checkout process. Letton says that check verifications and identity confirmations are time consuming. The company is piloting its no-check policy at three stores in Southern California and Arizona; payment options will include debit and credit cards or cash. The possibility that other retailers might follow suit is a source of concern for some consumer organizations: the Association for Senior Citizens notes that many elderly consumers prefer writing checks.

Adapted from an article published in Denver Post

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President's Message

Greetings INAFP Members!

As the leaves fall ever more quickly from the trees, who doesn't want to think ahead to next spring? When you do, please consider attending the 2010 Northwest Summit – the regional conference of AFP associations in the Northwest. This year's event will be held at the Governor's Hotel in Portland. Spring is a great time of year to visit the "City of Roses", and you can take advantage of the continuing education offerings and get some networking in as well. More information will be available at www.NorthwestSummit.org in the coming months.

Our thanks again to Randy Barcus for his presentation *The Regional Economic Outlook: Challenging Times!* Randy always provides good information to consider when making plans for the coming year.

Our November 18th meeting will feature Kevin Parker, our 6th District State Representative, who will be giving us an update on how the economic downturn is impacting legislation in Washington and how that will impact businesses here. Looking forward to January, we have Ron Vodicka from US Bank lined up to present part 2 of his presentation on *Current Trends in Foreign Exchange Risk Management*. In February our speaker will be Bill Bley from the NWCHA to review the recent developments and new regulations having to do with electronic payments. We are also planning on a credit card industry update with our own Stephen Prince from Merchante-Solutions in April.

Please remember, if you have any ideas for topics or a presenter, your INAFP board would love to hear from you. We are still looking for ideas for our March and May meetings.

Have an excellent November. I hope to see you at the meeting on November 18.

Best Regards,

Brian

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