

Industry Experts Offer Insights for a New Year: Meet Our Panel



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law firm Connell Foley LLP. “We continue to offer generous health benefits, but we do expect to see more cost-sharing with employees.”

On a broader front, McBride—who represents owners, developers, contractors and vendors in all aspects of the real estate development and construction business—is cautious about the economy.

“Companies of all sizes are engaging in belt-tightening,” he says. “In turn, law firms are careful about taking on new hires, and many are reluctant to raise rates.”

Still, McBride sees pockets of growth.

“We opened offices in New York and Cherry Hill about two years ago, and we’ve added staff in both locations,” he reports. “And we’ve taken on additional space in New Jersey in expectation of growth.”

In 2014, issues like healthcare reform, same-sex marriage, and privacy concerns will help to drive activity at law firms, according to James P. Anelli, Esq., a shareholder based in the Newark office of LeClairRyan.

“Health insurance providers and other companies are seeking guidance about compliance issues and other matters relating to the Affordable Care Act,” says Anelli,

fits and possibly a new federal law guaranteeing equal treatment in the workplace and protecting one’s sexual orientation,” Anelli notes. “New Jersey, of course, has been a leader with its Law Against Discrimination, but if federal legislation is enacted, then the rest of the country will have to catch up.”

Accounting Firms—Uncertainty is not good for the economy in general and bad for businesses in particular, but unfortunately we’re facing heaps of it, notes Patrick O’Keefe, the Roseland-based director of economic research at the CPA firm CohnReznick LLP.

“The sub-par growth and relatively weak recovery we saw after the 2008 to 2009 recession appears to be a long-term trend,” he cautions. “We’re heading into uncharted territory in 2014 as the Federal Reserve begins to slow down—but not eliminate—some stimulus efforts, such as the \$85 billion a month of bond purchases from financial institutions that it’s currently making.”

The back-and-forth activity surrounding healthcare reform isn’t helping, adds O’Keefe.

“In the long term, adjustments will have to be made to the way we pay for and provide healthcare, especially to modest-income households,” he says. “The problem is the uncertainty about laws and regulations. There’s an impenetrable cloud about healthcare, which accounts for about one-sixth of the national economy. It’s chaotic to the point of disruption.”

In 2014 and beyond, accounting firms will see significant challenges and opportunities outside of healthcare reform, according to many CPAs.

For one thing, more smaller and medium-sized CPA firms are likely to merge, according to Ralph Albert Thomas, CPA, CEO and executive director of the Roseland-headquartered New Jersey Society of Certified Public Accountants.

“We will see continued consolidation and M&As as a large group of baby boomers—including senior partners and leaders of CPA firms—

retire, and their firms look for new growth opportunities” he says. “There’s optimism about the broad economy, according to a recent survey we conducted; but tax reform, or the lack of it, is a concern.”

CPAs are also worried about the lack of consensus in Washington, D.C., when it comes to decision making, and Thomas notes that healthcare reform, along with regulatory burdens, remain big concerns.

“As an industry, though, the forecast is good,” he adds. “There are a lot of opportunities for firms to get more business, and there are still a lot of jobs for accountants.”



The White House will hold off on launching its online health exchange where small businesses can shop for coverage until November 2014.

who focuses his practice on representing management in employment discrimination, labor, employee benefit issues, wage and hour, cyber liability, and privacy litigation.

“Along with the ACA, concern over rising healthcare premiums may drive more law firms to move to a self-insurance model, which we’ve already done,” suggests Anelli.

Also, as more data is stored online, privacy and security concerns are likely to spark litigation, he adds.

“Other big issues in 2014 will be the impact of sexual orientation protections with respect to employee bene-

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There may be some good news when it comes to healthcare costs, according to Phillip E. Goldstein, CPA, the managing partner of Mahwah-based Goldstein Lieberman & Co. LLC.

"We expect healthcare costs to rise every year, but at a slower pace" he says. "Meanwhile, the costs are not curtailing our hiring or our expansion plans as they are built into our budget and business plan every year."

Goldstein does, however, expect to see more consolidation among CPA firms.

"Accounting firms are becoming more specialized, with focuses on areas such as forensic accounting, real estate and other segments, which is driving more M&As as a way to increase expertise and the client base," notes Goldstein. "For example, we've just made an acquisition that will be effective in December."

For West Orange-based Bederson LLP managing partner Mark A. Mazza, CPA, the Affordable Care Act is a big concern.

"The issue has polarized the country," he says. "Income taxes were increased for the 2013 tax year in part to pay for Obamacare. But although the employer mandate has been deferred for a year, we don't see any deferral in the higher tax rates."

While Mazza is upbeat about 2014, he also sees some challenges ahead.

"State and local governments are continuing to try to collect more sales and use, and income taxes by extending their definition of nexus," he says, referring to efforts to subject out-of-state businesses to local and state taxes based on their online, mail order and other sales. "We recently increased our staff by 10 percent in order to assist our clients with compliance and other issues."

Some CPAs are also pleased about the robust debt and equity markets, which are likely to remain favorable in 2014.

"We expect the momentum to continue into 2014, especially considering the current low interest rate environment and robust IPO pipeline," observes B.J. Agugliaro, the Florham Park-based managing partner for PwC's New Jersey practice. "During 2014, we expect to see continued activity by private equity firms exiting investments, corporations continuing to focus on their core operations by divesting non-core assets and cross-border M&A activity."

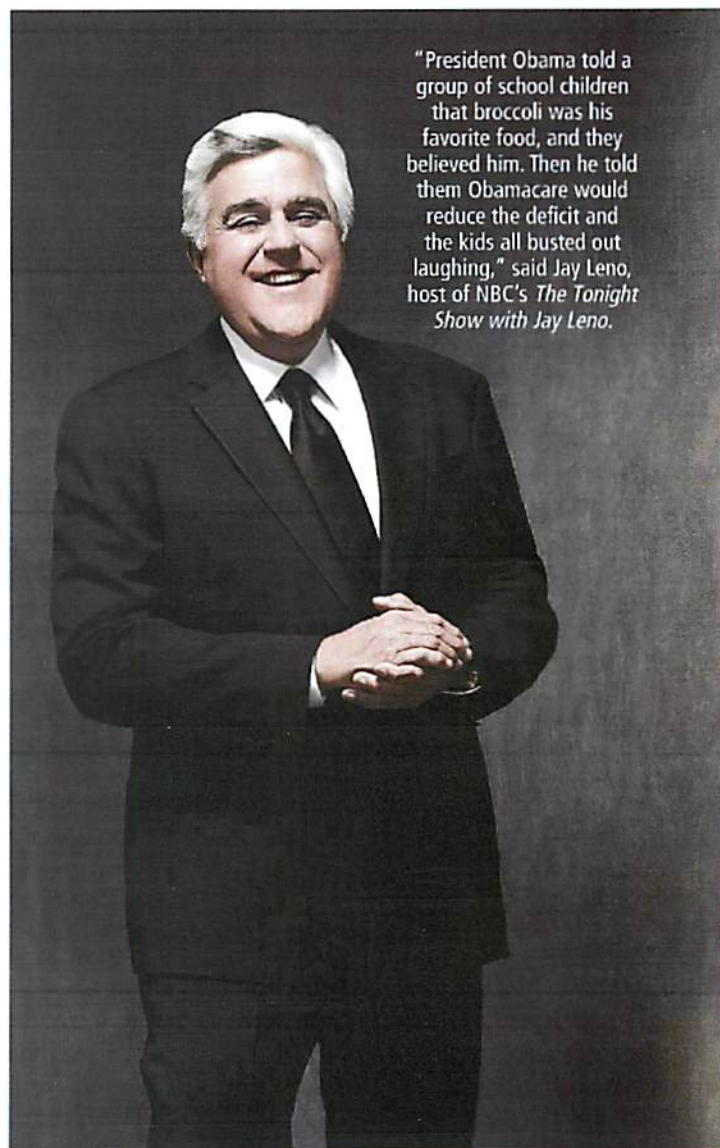
A significant number of mergers among small and medium-sized CPA firms have taken place, but Agugliaro doesn't see further consolidation among the Big Four—PwC, KPMG, Deloitte, and Ernst & Young—which previously shrank from the Big Eight to the Big Six.

"The Big Four, as the largest international accountancy and profession services firms are now referred to, have operated without further mergers amongst themselves for over 10 years," he says. "I'm not aware of a move to further reduce the number to the 'Big Three.'"

Banks—One big question for bankers—and just about everyone else—is how much longer low interest rates will last, and whether Janet Yellen will shake things up once she's confirmed as the new chair of the Federal Reserve.

"Janet Yellen will probably stay the course," says John E. McWeeney, Jr., president and CEO of the Cranford-based New Jersey Bankers Association. He says the Fed will probably begin to cut back the pace of its bond purchases in 2014, which, along with increasing demand for loans, could lead to a bump in interest rates.

"But the challenge now is compressed margins," McWeeney explains, referring to the narrow spread between the rates that banks get on loans, and what they have to pay out to depositors. "But we see some positive trends in New Jersey, including the boost that the state's economy will likely receive from hosting the Super Bowl in February."



"President Obama told a group of school children that broccoli was his favorite food, and they believed him. Then he told them Obamacare would reduce the deficit and the kids all busted out laughing," said Jay Leno, host of NBC's *The Tonight Show with Jay Leno*.

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