

# Roadmap

to Developing and Managing a  
CPA Personal Financial Planning Practice



## *Contents*

---

Roadmap to Developing and Managing a CPA Personal Financial Planning Practice .....	2
Road to Success .....	2
The Roadmap to Developing and Managing a CPA Personal Financial Planning Practice.....	2
Scope of PFP Services .....	3
Developing a PFP Practice.....	3
Organizing a PFP Practice .....	4
Managing a PFP Practice .....	8
Assessing Costs and Risks .....	8
Setting Fees.....	9
Documenting the Engagement Understanding .....	10
Marketing PFP Services.....	11
Legal, Regulatory, Compliance, and Fiduciary Considerations .....	13
Common Models for Adding Investment Advice.....	14
Registration Requirements for Investment Advisers .....	16
Where to Locate Additional Resources and Support.....	17

**DISCLAIMER:** This publication has not been approved, disapproved or otherwise acted upon by any senior technical committees of, and does not represent an official position of, the American Institute of Certified Public Accountants. It is distributed with the understanding that the contributing authors and editors, and the publisher, are not rendering legal, accounting, or other professional services in this publication. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

# ***Roadmap to Developing and Managing a CPA Personal Financial Planning Practice***

---

## **Road to Success**

You wouldn't take a trip without a map or directions. You may get turned around, sidetracked or lost along the way. That's why many people hop on Google before a trip and map out directions. They may even plan routes around difficult travel spots. Developing a successful personal financial planning (PFP) business within a practice takes the same planning and mapping. We've designed the Roadmap with the resources to help you find the expressway to success.

## **The Roadmap to Developing and Managing a CPA Personal Financial Planning Practice**

*The Roadmap to Developing and Managing a CPA Personal Financial Planning Practice* is your PFP atlas, with the information you need to plot a route to successfully add personal financial planning as another value-added service to your established practice. Client retention is a key factor in the success of any firm. Deepen your relationship with your clients and increase their reliance on you as their trusted adviser by providing formalized personal financial planning offerings.

Topics covered in this reference guide include the following:

- Scope of PFP Services
- Developing a PFP Practice
- Organizing a PFP Practice
- Managing a PFP Practice
- Assessing Costs and Risks
- Setting Fees
- Documenting the Engagement Understanding
- Marketing PFP Services
- Legal, Regulatory, Compliance, and Fiduciary Considerations
- Common Models for Adding Investment Advice
- Registration Requirements for Investment Advisers
- Where to Locate Additional Resources and Support

For more resources to start or grow your business to cover your client's personal financial planning needs, visit the PFP Practice Center at [aicpa.org/pfp/practicecenter](http://aicpa.org/pfp/practicecenter) and download the comprehensive *Guide to Developing & Managing a CPA Personal Financial Planning Practice* (guide).

For more in-depth education on these and other topics, register for upcoming webcasts and access our library of archived seminars and related materials at [aicpa.org/pfp/webseminars](http://aicpa.org/pfp/webseminars). Also, consider attending the two-day conference workshop at the AICPA Advanced Personal Financial Planning conference each year. This session shows CPAs how to add or grow PFP services within their traditional firm, helping them transition from tax adviser to trusted personal financial adviser. Additionally, if you are looking for basic technical education in financial planning, self-study CPE is available through our Personal Financial Specialist program.

Systemize the delivery of your personal financial planning client services with Fox Financial Planning Network for CPAs. This CPA-customized version of Fox Financial Planning Network is available only to PFP Section members and offers three membership levels with deeply discounted pricing that is not available to the public. Access fully customizable, pre-written workflows for each area of financial planning, training on how to systematically prepare for, deliver and follow up from each client meeting, and resources for learning best practices and staying up to date. Learn more at [aicpa.org/pfp/FFPN](http://aicpa.org/pfp/FFPN).

## Scope of PFP Services

PFP encompasses a broad range of services in a variety of interrelated financial areas, including the following:

- Budgeting and cash flow planning
- Income tax planning
- Risk management and insurance planning
- Retirement planning
- Investment planning
- Estate planning

You will often address more specialized issues such as financial recordkeeping, planning for education costs, charitable deduction planning, planning for divorce, elder planning, and any other issues related to your clients' finances. A CPA who provides PFP services must help clients holistically identify their goals, evaluate their existing resources, and design the financial strategies that, when implemented, move clients toward their goals.

## Developing a PFP Practice

One way to develop a PFP-oriented practice is to expand the scope of present consulting work. The CPA with a PFP orientation views a client's situation from a slightly different perspective. In fact, many CPAs already give informal PFP advice as part of their tax-consulting services.

Another excellent way to expand a PFP practice is to review client tax returns for planning ideas. We have developed and included in the guide the "Tax Return Review for PFP Needs" checklist to help you identify planning opportunities based on your client's latest tax return. During the review of your client's tax return, you could take some added time to complete this checklist. After tax season, write or call the client to point out one or more of the financial planning issues identified during the tax return

review. Alternatively, you could take some time during the tax return interview to educate the client about the PFP process and the services that the CPA provides.

It is important to note that current law requires any person who is engaged in the business of preparing or providing services in connection with the preparation of tax returns to obtain the taxpayer's written consent before the return or any information used to complete the return is used to solicit additional services. By including the required disclosure authorization as part of your current engagement letter process, you may avoid any potential conflicts with the IRS. As with any issues surrounding engagement letters, it is important to consult your legal adviser to ensure complete and proper wording for the engagement letter. The guide includes a summary of the privacy disclosure requirements and an example client letter.

In December 2009, the IRS offered guidance designed to clarify a number of questions about the regulations under section 7216, involving the disclosure or use of tax return information by tax return preparers. For your reference, the AICPA provides a summary, general guidance, and sample consent forms relating to the regulations under section 7216 in *The CPA's Guide to Developing and Managing a PFP Practice* as appendixes A and B and on the PFP Web site.

The regulations require that that tax preparers obtain a release from clients prior to sharing any tax return information with a third party, even if that third party is an affiliated investment advisory firm. Therefore, when a CPA firm has an affiliated RIA, the firm may consider adding the consent to disclose to their engagement letter for all clients of the CPA firm. Further, the CPA firm may consider adding a cover letter, flyer, or both to their tax organizers or engagement letters explaining how the RIA's ability to obtain information from the CPA firm is impacted by the regulations and requesting consent to release information to the RIA, as well as implications of consent. A sample cover letter is included in Appendix B of *The CPA's Guide to Developing and Managing a PFP Practice*.

## Organizing a PFP Practice

The particular manner in which a CPA organizes a PFP practice will vary. Many offer PFP services as an auxiliary part of their tax practice. Some choose to establish a formal, free-standing service department or group. Others may choose to set up a separate entity. Still others may decide to forego centralization in any form. Size of the existing practice, type of planning services offered (for instance, investment adviser services), individual experience levels, regulatory issues, and liability issues significantly affect the decision. Regardless of how you organize your practice, resources in the following areas are critical for your success.

**PFP Practice Center:** The AICPA PFP Division has compiled content on the PFP Practice Center ([aicpa.org/pfp/practicecenter](http://aicpa.org/pfp/practicecenter)) to help members navigate critical components of their CPA PFP practices, including determining whether you need to register as an investment adviser, consideration of the most effective software to run a successful practice, professional responsibilities of CPAs when practicing in PFP, education, networking, credentialing, and more. (Note: All CPAs providing estate, retirement, tax, investment, and risk-management advice need to be aware of the SEC's interpretation of when providing investment advice crosses the line that requires the individual or entity to be registered as an investment adviser. See the Registration Requirements for Investment Advisers section of this roadmap for more on this topic.)

**Library of PFP Resources:** A PFP practice requires adequate resources, including books, periodicals, reference guides, and on-line resources. Those materials are helpful in developing the financial planning procedures.

PFP members have full and free access to Forefield Advisor, a premier business development, education, and client communication tool that enables personal financial planning professionals to deliver current and concise advice to clients. Resources are written by subject-matter experts (CPAs and attorneys) and continuously are updated to reflect current legislation and industry trends. The tool has a Google-like search engine that facilitates location of resources. Resources also are organized in categories of 18 life events, 10 financial goals, and 4 Resource Centers. You can choose from any of the over 3,000 resources to compile the presentations that uniquely fit your clients' needs.

Additionally, as a PFP member, you will have access to various practice guides and publications, such as the *The Rebirth of Roth: A CPA's Ultimate Guide for Client Care*, the CPA's Guide Series, including *Financial and Estate Planning*, *Investment Advisory Business Models*, *Technology in a PFP Practice*, *Social Security Planning*, *Financing Retirement Healthcare*, and more. Additionally, the Resources section of the PFP Web site helps members keep up with the latest planning strategies and trends in tax, estate, retirement, investment, insurance and risk management, practice management, professional responsibilities, and more.

**Technology and Software:** Because personal financial firms vary greatly in size and in their business approach, it is important for the reader to understand that there is no "one size fits all" technology solution. On the contrary, the technology needs of a firm will be dictated by a wide variety of factors including the firm's business model, size, client profile, and goals. PFP/PFS members can download *The CPA's Guide to Technology in a PFP Practice* to navigate the array of technology choices to run an efficient PFP practice, including hardware, client relationship management (CRM) software, and financial planning software.

In addition to the basic technological building blocks, such as hardware (computers, printers, copiers, fax machines, scanners, phones, and so on) and software (Office suite, document management systems, CRM software, e-mail, and so on), industry-specific software applications are of particular importance in a PFP practice. Software decisions depend on the complexity, volume, and diversity of the firm's PFP engagements, among other considerations (compatibility, sophistication, flexibility, ease of use, reports, vendor support, training costs, maintenance, and so on).

An abbreviated list of some of the specialized software you should consider when organizing your PFP practice is subsequently provided. *The CPA's Guide to Technology in a PFP Practice* is a comprehensive resource that PFP members should consult when making technology decisions. *The CPA's Guide to Developing and Managing a PFP Practice* also provides an overview of software considerations. Both of these resources provide a list of software available on the market today. Although it is impossible to cover every product on the market, these guides should serve as a good starting point for your own due diligence.

- **Client Relationship Management (CRM) Software:** CRM software may be the most important piece of software that you buy. Almost every successful financial professional will tell you that the single key to their success is the strength of their client relationships. Regular communications enhance the client relationship, and CRM software systematizes those communications so that clients receive the care they need.

In addition, efficient practices employ uniform workflow processes. CRM software can manage and record all workflows within the firm, but that's just the beginning; CRM software can do much more. It can help track and analyze the profitability of each client relationship. It can help track employee productivity. With this information readily available, the personal financial

planner can set fees appropriately. In fact, it is impossible to optimize a personal financial planning firm without good CRM software.

CRM software falls into both the general productivity category and the industry-specific category because you can purchase it either way. Within each category, there are both traditional desktop/server software options and online options.

- **Financial Planning Software:** If you offer personal financial planning services or plan to in the future, it is essential that you practice your craft with the aid of one or more professional financial planning programs developed by a reputable commercial software vendor.

As was the case with CRM software, subdividing financial planning software by the delivery method (desktop/server versus cloud-based) is useful. The planning approach of these applications also differs. Some programs use a goals-based approach to financial planning and others use an approach based on cash flow. Hybrids of these categories do exist, however. As is the case with most other programs you use, the ideal financial planning program will offer integration with your other applications. Integration alleviates the need for repetitive data entry, and it significantly reduces errors while lowering the overall cost of plan production.

The better comprehensive financial planning packages are suitable for a wide range of needs, but there are instances that require a specialized sophisticated tool. Advanced estate planning and advanced employee compensation planning are two areas in which specialized programs often are employed.

- **Portfolio Management and Reporting Software:** Portfolio management and performance reporting systems play a major role in most PFP practices because PFP is a long-term, ongoing process that has little, if any, relationship to short-term investment performance.

In the realm of portfolio management software (PMS) solutions, the gap between an in-house desktop or server solution and a Web-based solution tends to be greater than it is with CRM or financial planning applications because, in the PMS world, ASP often offers additional service, either as part of the base package or for an additional cost. Most cloud-based providers offer some sort of online client access or *client portal*. These offerings could be as simple as allowing the adviser to post static portfolio reports, usually as PDF files, that clients can access online, or it could be more sophisticated, such as permitting clients to run their own portfolio reports within parameters specified by the adviser. Some providers may even allow advisers or clients to post and store other files, such as estate planning documents and health care information, within the online vaults.

The value of online reporting capabilities should not be underestimated. At most firms, preparing, printing, and mailing performance reports is a costly, time-consuming process. By offering online reports, firms can reap a substantial cost savings while delivering reports to clients faster. In addition, properly configured online reporting facilities offer superior security to those delivered by mail. According to the US Postal Service, most identity theft involves the use of the mail. The most important point for current portfolio management system users is that you should understand what data resides in your current database and how calculations are performed. You can then compare and contrast this information with your new potential vendor's methodology to determine whether or not the vendor is a good fit for you.

- **Portfolio Rebalancing Software:** Manually rebalancing a large number of client portfolios can be time consuming and expensive. Today, rebalancing software comes in a wide range of prices and capabilities. Some software that rebalances at the individual account level can be inexpensive; however, software that is highly automated, tax-sensitive, and capable of grouping accounts in a variety of ways can easily cost tens of thousands of dollars. Large wealth management firms are increasingly investing in sophisticated rebalancing software because the alternative is more expensive and less accurate. We may continue to see a downward trend in the pricing of rebalancing software as the number of users and providers increases.
- **Custodians:** Although generally not thought of as a technology decision, the choice of custodian(s) for your clients' assets can have technology implications. For a number of years, Schwab, Fidelity, TD Ameritrade, and Pershing have dominated the independent adviser custodial space. There are a number of other custodians that may be appropriate for your firm, depending on your need and business model. Other competent firms that provide custodial services to independent RIA firms include Folio Institutional, LPL, Raymond James, Shareholder Services Group, Scottrade, Trade PMR, and Trust Company of America.

The choice of custodian can influence your overall technology plan in a number of ways. First, each firm offers advisers some connectivity to its back office, but standards and file types are not uniform. For example, some custodial websites may be accessible through multiple web browsers (Internet Explorer, Firefox, Safari, Chrome, and so on); some websites may be limited to one browser. Some custodians may offer discounts on third party CRM, portfolio management, financial planning, and rebalancing software; however, the software and range of discounts vary. Firms may offer you their own proprietary software, either for free or at a very substantial discount as an inducement to do business with them.

For a full analysis of all technological considerations, including potential product solutions, consult *The CPA's Guide to Technology in a PFP Practice* and the guide.

- **Professional Liability and Risk Management:** CPAs who want to protect themselves from the adverse consequences of client lawsuits related to financial planning activities should obtain errors and omissions insurance, also known as *malpractice or professional liability insurance*. This professional liability insurance covers you in areas such as breach of duty, negligence, misstatement, omissions, and wrongful acts. The basic types of insurance available are the standard accounting practice policies and the separate policies for financial planning services. The guide includes further guidance on claim limits, defense costs, loss of earnings, other coverage and risk management considerations, and information on AICPA-endorsed policies.

In addition, the AICPA offers discounted liability insurance to members. Visit [cpai.com/business-insurance](http://cpai.com/business-insurance) to learn more about the plans available, including employment practices liability coverage, group life insurance for firms, and professional liability coverage.

- **Professional Standards and Ethical Considerations:** The CPA providing PFP services to clients is bound by the same ethical rules and technical pronouncements that govern traditional practice as a CPA. PFP services can involve a number of discrete services that may fall under various existing professional standards, as well as government regulations. CPAs should consult the applicable regulations and standards when performing PFP services. CPAs are governed by the AICPA Code of Professional Conduct.

Additionally, the AICPA issued the *Statement on Standards in Personal Financial Planning Services* (SSPFPS No. 1) in January 2014 (effective July 1, 2014), to provide authoritative guidance and establish enforceable standards for members practicing in PFP. Members are required to follow SSPFPS No. 1 when they provide PFP services and meet the applicability test outlined in the standard. Non-AICPA members should verify with their state boards of accountancy for regulations that state that CPAs must comply with SSPFPS No. 1. Learn more at [aicpa.org/SSPFPS](http://aicpa.org/SSPFPS).

For a comprehensive list of professional standards and regulatory issues affecting CPA financial planners, please refer to the guide and visit the Professional Responsibilities section of the PFP Practice Center.

## **Managing a PFP Practice**

Profitability for a PFP practice can be improved through better engagement planning and organization. A step-by-step process, framework, and mission statement should be in place. The steps to good engagement organization include the following:

- Establishing a clear process to follow for PFP engagements and having a framework within which to operate
- Developing a clear understanding of the client's goals for the engagement
- Selecting specific procedures to accomplish these goals
- Having tools in place to effectively perform the engagement
- Preparing an engagement program
- Preparing a time budget and tracking procedure for the engagement

CPAs usually try to understand and identify a client's goals through the preparation of data-gathering forms and discussions during the initial client interview. You may find it helpful to complete a worksheet of the client's goals following the initial interview. After the client's goals have been identified, procedures can be selected to help achieve those goals.

As you near the end of an engagement, ask yourself whether you have properly educated the client about relevant financial matters. This is where the client sees value. Successful practitioners are colleagues who educate clients, not technicians who provide financial planning to clients. The CPA can empower clients to take control of their finances. The PFP Section has several archived webcasts available to members on these and other client education and practice management topics ([aicpa.org/pfp/webseminars](http://aicpa.org/pfp/webseminars)).

## **Assessing Costs and Risks**

Once the commitment has been made to pursue PFP, additional costs will have to be considered over and above the operating expenses of the CPA firm:

- Staffing—specialists with credentials such as a CPA/PFS (CPA Personal Financial Specialist)
- Legal fees—for example, registration, determining type of operating entity, registered investment adviser fees, other regulatory compliance and risk management issues
- Specialized exam fees—for example, PFS, investment adviser, registered representative, and the like
- Determining your business model—for instance, segmented planning that does not involve investment advice, an independent registered investment adviser or working under a broker dealer relationship (see the Regulatory section of the PFP Practice Center for detailed information)
- Investment research and reporting software (see *The CPA’s Guide to Technology in a PFP Practice*)
- Custodial relationships for investment advisory assets (see *The CPA’s Guide to Technology in a PFP Practice*)
- Professional liability insurance (discounted AICPA insurance available to members)
- Promotion and marketing costs (see the PFP/PFS marketing and media toolkits)
- Continuing education for you and your staff, as well as staff training (free live and archived webcasts with discounted CPE available to PFP members. Also see the Education section of the PFP Practice Center)
- Library and reference materials (PFP member-only resources available free of charge on the PFP Practice Center and PFP Resources page accessible from the PFP homepage at [aicpa.org/pfp](http://aicpa.org/pfp))
- Developing questionnaires, checklists and an overall financial planning process for the firm. Sample checklists, which were developed for reviewing clients’ tax returns for indications that the clients need PFP services, are provided in the appendix of the guide
- Computer software (see *The CPA’s Guide to Technology in a PFP Practice*)
- Membership dues, including PFP member dues

The PFP Practice Center has practice management tools available to assist you with organizational structure, strategic planning, and human capital.

## Setting Fees

Because establishing a reasonable fee structure is critical to profitability, the following factors involved in setting fees should be carefully reviewed:

- The firm’s standard billing rates.
- How fees will be charged. Pricing structures fall into three basic categories—fees, commissions, and a combination of fees and commissions (fee-based). Example pricing structures include

- **fee-only**—hourly, fixed, flat project-fee basis or percentage fees based on assets under management. Fee-only advisers do not accept any compensation that doesn't come directly from the client. For more information on flat fee arrangements and retainers, please refer to the guide.
  - **performance fees**—based on how well the client's account performs. These fees may be charged only to certain high-net-worth clients.
  - **commission only**—Note: The AICPA Code of Professional Conduct has specific client disclosure rules that must be followed by CPAs who decide to be compensated by commissions. There also are many regulatory compliance issues to be considered.
  - **fee-based**—combination of flat fee and commissions. Fee-based advisers charge for the planning work and then recommend products on which they receive commissions or some other form of compensation from the product provider.
  - **fee-offset arrangements**—where commissions from the sale of financial products are offset against fees charged for the planning process.
  - **referral fees.**
- The norm for PFP services in the practice area.
  - An estimation of the worth of the PFP services provided, the complexity of the engagement, and the projected hours to be spent on the engagement.

A discussion of fees at the outset of the engagement is essential. Open discussion and, when appropriate, negotiation are imperative. Remember, clients tend to accept an initial fee structure as a benchmark against which they measure fee increases. Never let the amount of an invoice be a surprise to the client.

## Documenting the Engagement Understanding

The CPA should consider documenting the engagement understandings with PFP clients through engagement letters. Engagement letters are recommended because they document mutual understanding between the CPA and client.

The Statement on Standards in Personal Financial Planning Services (SSPFPS No. 1) requires that the CPA document and communicate to the client the scope and nature of services to be provided and disclose the member's agreed upon compensation for such services. This communication should be documented in the client file and include descriptions of the following when applicable to the engagement (SSPFPS par. 24):

- a. Engagement objectives
- b. Scope of services to be provided
- c. Roles and responsibilities of the member, client, and other service providers
- d. Timing of the engagement
- e. Scope limitations and other constraints

- f. Conflicts of interest
- g. Responsibility, or lack thereof, for helping the client implement planning decisions
- h. Responsibility, or lack thereof, for monitoring the client's progress in achieving goals
- i. Responsibility, or lack thereof, for updating the plan and proposing new action

The Standards in PFP: Compliance Toolkit (available free to PFP/PFS members and for sale to non-members) includes three customizable, sample engagement letters to use for in general (comprehensive), implementation, and monitoring/updating personal financial planning engagements and to assist in compliance with SSPFPS No. 1. These sample engagement letters are non-authoritative and are intended to be customized to meet the needs of your practice and individual engagements. They should be used in conjunction with compliance advisor approved language when engaging in investment advisory relationships due to the legal and regulatory requirements of engagements involving investment advice.

If the CPA prepares and presents personal financial statements to his or her client or to third parties, paragraph .02 of AR section 80, *Compilation of Financial Statements*, states that the CPA should establish an understanding with the client regarding the services to be performed and should document the understanding through a written communication with the client (that is, an engagement letter). Paragraphs .03–.05 of AR section 80 specify the required content of the engagement letter.

AR section 600 provides an exception from AR section 80 for personal financial statements that are included in a written personal financial plan prepared by the CPA and specifies the form of written report required under the exemption. Paragraph .03 of AR section 600 states that the accountant may avail himself or herself of the exemption provided by AR section 600 when, among other things, the accountant establishes an understanding with the client and documents the understanding through a written communication with the client that the financial statements

1. will be used solely to assist the client and the client's advisors to develop the client's personal financial goals and objectives, and
2. will not be used to obtain credit or for any purposes other than developing these goals and objectives.

Some CPAs develop lengthy engagement letters that describe the financial planning process and the roles of both the CPA and client, but others believe clients prefer brief letters. In either case, an engagement letter should clearly express the mutual understanding of what the CPA will do and what the client will receive. Using engagement letters can reduce liability exposure, and some insurance companies offer discounts to CPA firms that regularly use them.

Illustrative engagement letters included in the appendices of the *Guide* and in the Standards in PFP: Compliance Toolkit are non-authoritative. Before using a standard engagement letter in practice, the advice of legal counsel should be obtained to determine the effect of the proposed letter.

## Marketing PFP Services

A marketing plan is critical to the success of long-range planning. The development of a marketing plan typically involves an analysis of the firm's core capabilities and what market the firm wants to serve and

the identification of appropriate strategies for tapping that market. The marketing plan and your marketing activities generally can be broken down into the following four steps:

1. **An analysis of the market** based on experience, surveys and research. It would include a description and outlook of the industry; primary target markets, including needs; goal for market penetration; methods for identifying potential financial planning clients and competitors; and the strengths and weaknesses of those entities. You may consider utilizing a Client Advisory Board (CAB) to help you retain current clients and attract new ones. CABs enable firms to hear directly from their clients how they are fulfilling client expectations and find that CABs can also help increase client retention, cross sell, services and land new clients all at the same time. Learn more about CABs in the AICPA's CAB Toolkit.
2. **Selecting target markets**
3. **Developing a marketing mix**, an interrelated group of marketing variables designed to maximize your exposure to the target market. The variables are marketing's four P's—product, price, place, and promotion.
4. **Managing the marketing effort**. The following promotional strategies should be considered in developing your marketing strategy. The mix you choose depends on several factors, including your marketing objectives, your budget, and the strategies with which you are most comfortable:
  - **Direct approach**—Marketing efforts targeted toward existing client base.
  - **Client questionnaires**—Include PFP questionnaires with tax organizers or send in a separate mailing.
  - **PFP needs checklist**—Use to review clients' tax returns for indications that they need PFP services.
  - **CPA, PFP, and CPA/PFS marketing toolkits**—Resources developed by the AICPA to help you promote your PFP practice and services.
  - **Referrals**—Cultivate potential sources of new clients through continued professional contact, reinforced with newsletters and other correspondence.
  - **Find-a-CPA/PFS database**—Consumers can search this database to find a local PFS credential holder. ([FindaCPAPFS.org](http://FindaCPAPFS.org))
  - **Website**—Having a website can supplement traditional marketing activities and add another level of marketing for computer savvy clients and prospective clients.
  - **Brochures**—Hand out or mail brochures to existing and potential clients, display prominently in your office, or insert as giveaways at seminars and meetings.
  - **Seminars**—Use educational seminars as an opportunities to share more about your practice, the PFP services offered, and the potential benefits of those services to them. Seminars should motivate participants to act.

- **Speaking and writing opportunities**—These opportunities help establish the CPA’s expertise and familiarize the audience with the CPA’s name and capabilities. As a PFP member, you have the opportunity to write for PFP related newsletters and publications, such as the AICPA *Insider* newsletters.
- **CPA/PFS media opportunities**—One of the benefits of holding the CPA/PFS credential is exposure to various media-related opportunities, including writing, speaking, and participating in online forums. CPA/PFS credential holders write articles for the AICPA *Insider* newsletters, answer questions on 360 Degrees of Financial Literacy’s "Ask the Money Doctor," and speak to various media outlets about hot topics in personal financial planning.
- **Mailing lists**—Maintain three mailing lists (current clients, potential clients, and third-party referral sources) broken down by categories (for instance, bankers, lawyers).
- **Newsletters**—Use newsletters to inform interested parties about what you are doing both professionally and in the community, recent financial planning news, and the various PFP services you provide.
- **Advertising**—If you choose to advertise, be sure to determine whether state securities regulations apply to CPAs holding themselves out to the public as providing personal financial planning services.
- **Join organizations**—Active membership in organizations and associations can create a positive public image.
- **Electronic and print media**—TV, radio, and general circulation print-media appearances can be more effective than paid advertisements because they attract positive attention and do not appear self-serving.

Need help expanding your marketing and media efforts? Download the AICPA’s CPA, PFP, and CPA/PFS marketing and media toolkits at [aicpa.org/pfp](http://aicpa.org/pfp). If you are a CPA/PFS credential holder who would like to be more active in the media, complete the application for an AICPA CPA/PFS media spokesperson and email it to [financialplanning@aicpa.org](mailto:financialplanning@aicpa.org).

## Legal, Regulatory, Compliance, and Fiduciary Considerations

**Legal and Regulatory:** In delivering PFP services, you face legal and regulatory issues different than those of audit, accounting or tax services. For example, in providing investment advice, you must consider whether you are subject to federal and state investment adviser regulation rules. In addition, all states regulate in some manner the delivery of insurance advice. Depending on the roles you undertake, you may find yourself in the position of complying with additional licensing rules such as these.

**Compliance:** A wave of reform over the past years is requiring CPAs in the financial planning arena to comply with a multitude of rules and regulations aimed at disclosure and an enhanced level of trust for clients. Many of these rules, in addition to other rules requiring compliance, are discussed throughout the guide and include

- AICPA Code of Professional Conduct
- AICPA Statement on Standards in Personal Financial Planning Services
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Investment Advisers Act of 1940
- SEC Interpretive Release IA-1092
- SEC Custody Rule of the Investment Advisers Act of 1940
- Sarbanes-Oxley Act of 2002
- Gramm-Leach Bliley Act
- Federal Trade Commission Safeguards Rule
- Financial Industry Regulatory Authority (FINRA) required emergency preparedness plans
- USA PATRIOT Act of 2001 and the U.S. Banking Privacy Act, which involve anti-money laundering initiatives and "know your customer" requirements

Additional guidance for several of these issues can be found at [aicpa.org/pfp/advocacy](http://aicpa.org/pfp/advocacy) and [aicpa.org/pfp/practicecenter](http://aicpa.org/pfp/practicecenter).

**Fiduciary:** A fiduciary has a legal duty to act solely in the best interests of the beneficiary. Though an accountant normally is not considered to be a fiduciary to his or her clients, the AICPA Code of Professional Conduct embodies standards of conduct, which are closely analogous to a fiduciary relationship—objectivity, integrity, freedom from conflicts of interest, and truthfulness. Courts have found that an accountant can be a fiduciary to his or her client when providing certain professional services including tax services, asset management, and general business consulting. Generally, if the following three elements are present in a client relationship, an accountant may be deemed to be a fiduciary to their client: (1) the accountant holds himself or herself out as an expert in an aspect of business, (2) the client places a high degree of trust and confidence in the accountant and (3) the client is heavily dependent upon the accountant’s advice. An accountant who provides investment advisory services as a registered investment adviser is a fiduciary to his or her advisory clients. To help you in understanding and implementing a prudent investment process, the AICPA and f360 developed a series of guides for investment fiduciaries, including *Prudent Practices for Investment Advisors* available on the PFP website at [aicpa.org/pfp](http://aicpa.org/pfp).

For more information on regulatory and legislative issues, visit [aicpa.org/pfp/advocacy](http://aicpa.org/pfp/advocacy). To download the practice guides to help you navigate through compliance and fiduciary issues, visit [aicpa.org/pfp/practicecenter](http://aicpa.org/pfp/practicecenter).

## Common Models for Adding Investment Advice

A CPA who wants to add investment advice to his or her client services can choose from several business models. Business models help you structure how your firm does business, your relationships in the securities industry and play a key role in business continuity. There is no single model for success,

but rather success appears to be achieved by having a defined business strategy and employing systematic business processes. Six common business models for adding investment services to your financial planning services are described here:

- 1. Registered investment adviser (RIA)**—This model may be appropriate if you want freedom and control with the services offered to clients. With this model, the CPA firm establishes and registers as an independent RIA. The RIA would need to maintain the operational side of the practice by having its own "back-office" operation. The RIA would then work directly with the custodian or clearing-house or have a service agreement with one or more broker-dealers that are used on behalf of the clients. Note that 7216 regulations require that that tax preparers obtain a release from clients prior to sharing any tax return information with a third party, even if that third party is an affiliated investment advisory firm. See the section titled "Developing a PFP Practice" for more information on these regulations.
- 2. Investment adviser representative (IAR)**—This model may be appropriate if you want to offer fee-only services and want the support of an RIA firm or a broker-dealer's RIA. With this model, your firm typically will participate in an RIA's fee-only advisory program and receive a share of the fees charged to clients. Registration requirements will vary by state and by your firm; however, the CPA firm's employees must be registered as IARs. (The firm must determine if the state requires a Series 65 examination. PFS and CFP examinations are accepted in lieu of the Series 65 exam in most states). Investment advisers and IARs are subject to a "fiduciary" duty.
- 3. Referral or solicitor's agreement**—This model may be appropriate if your firm does not want to make a large capital investment or does not want to build the investment expertise in-house. With this model, the CPA firm refers clients to an RIA or a registered representative (RR) of a broker-dealer in return for a percentage of the RIA's or RR's management (referral) fee. The CPA does not make specific investment decisions.
- 4. Registered representative of a broker-dealer (RR)**—This model may be appropriate if you want commission-based compensation and the support of a larger organization. With this model, your firm will directly affiliate with an official FINRA securities brokerage office. Your employees must be licensed to sell securities, and additional registration requirements may apply. Broker-dealers are subject to a "suitability" standard. A fiduciary standard is currently under consideration.
- 5. Turnkey Asset Management Program (TAMP)**—A TAMP allows CPAs to outsource the operations side of their investment services as well as to receive investment research and management. A TAMP typically will charge your client a percentage fee, while you charge an additional fee for your services.
- 6. Open Platform**—In this model, you choose your money managers and you also can do some of the money management yourself. Both you and the third-party managers charge fees, and a custodian collects them for you. Under this model you could affiliate with a broker-dealer to perform trades, provide custodial services, prepare statements and reports and provide client data for your analysis and compliance.

As the barriers between professionals lessen, more and more investment advisers are forming alliances with CPAs, attorneys, and other professionals. These advisers and their new partners need to thoroughly understand the rules governing each professional's activities, including the services the financial adviser

and the other professionals will each be providing; how the alliance will be organized; the registration and solicitation requirements; and special concerns regarding other professionals' activities.

For more information regarding selecting the right business model for your firm, as well as securities regulations to consider when providing investment services, please refer to the comprehensive *The CPA's Guide to Investment Advisory Business Models* on the PFP Practice Center Web page.

## Registration Requirements for Investment Advisers

If you counsel your clients on the advisability or value of investing in securities, does that activity require you to register under the Investment Advisers Act of 1940 ("Advisers Act") and subject you to all of the other regulatory requirements that pertain to investment advisers? If you are required to register, but fail to, you may be subject to serious criminal and civil penalties. Please note that this topic is covered in depth in the comprehensive *The CPA's Guide to Investment Advisory Business Models*.

Each of the following elements must be present before a person (including both a natural person and a partnership, LLC, corporation or other entity) will be deemed an investment adviser within the meaning of the Advisers Act: (1) provides advice or issues reports or analyses, regarding securities; (2) is in the business of providing such services; and (3) provides such services for compensation.

Federal and state securities laws define "security" very broadly. According to the U.S. Supreme Court, a "security" includes "the countless and variable schemes devised by those who seek the use of the money of others." Furthermore, in Release IA-1092, the SEC took the position that, assuming the services are being performed as a part of a business for compensation, then the SEC "believes that a person who provides advice, or issues or promulgates reports or analyses, which concern securities, but which do not relate to specific securities" *generally will fall under the definition of investment adviser*. The release also noted that the SEC staff has interpreted the definition of investment adviser to include persons who advise clients concerning the relative advantages and disadvantages of investing in securities in general as opposed to other investments.

The SEC looks at all facts and circumstances surrounding a person's activities to determine whether a person is "in the business of" giving advice about securities for compensation. Factors include (but are not limited to), whether the person represents or otherwise holds himself out to the public as an investment adviser; whether the person receives separate or additional compensation representing a clearly definable charge for giving advice about securities; and the frequency or regularity of providing "specific investment advice" (a recommendation, analysis, or report about specific securities or specific categories, and the like).

The "for compensation" element is satisfied by the receipt of any economic benefit. This can be satisfied if a single fee is charged for a number of different services, including investment advice or the issuing of reports or analyses concerning securities. In addition, it is not necessary that the compensation be paid directly by the person receiving the investment advisory services (it could be a commission from a third party for the sale of an investment product).

If you fail the three-part test described above, then generally you will be subject to state or SEC registration. CPAs, however, may nevertheless be exempt from registration under certain, limited circumstances.

If the advice you provide is "solely incidental" to the practice of your profession, you may be exempt from registration. Solely incidental is not defined by the Advisers Act, so the exclusion depends on the

facts and circumstances of each situation. Factors include whether you hold yourself out to the public as an investment adviser or financial planner, whether your fee structure for investment advisory services is different from your other professional services and whether the advice given is in connection with and reasonably related to the professional services rendered. If you satisfy any one of these three factors, you may lose the exemption provided to accountants.

Furthermore, the SEC has permitted accounting firms to register an affiliated entity (in lieu of the accounting firm itself) to supervise the partners of or other professionals of the firm in the rendering of general investment consulting and tax planning services. There are several conditions the accounting firm must satisfy to avoid the need for the firm itself to register, which are outlined in *The CPA's Guide to Investment Advisory Business Models*.

For more information regarding where and how to register, as well as filing fees and duties as an investment adviser, please refer to the comprehensive *The CPA's Guide to Investment Advisory Business Models* on the PFP Practice Center.

## **Where to Locate Additional Resources and Support**

For more resources to start or grow your business to cover your client's personal financial planning needs, visit the PFP Practice Center at [aicpa.org/pfp/practicecenter](http://aicpa.org/pfp/practicecenter) and download the comprehensive, member-only *Guide to Developing & Managing a CPA Personal Financial Planning Practice*.

Join the PFP Section ([joinpfp.org](http://joinpfp.org)) today to gain full access to all the PFP Section's resources!