



# The Future of Services to Individuals

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# Today's objectives

- Recognize the vast opportunities and potential threats to the CPA profession
- Identify key trends that will affect decisions that CPAs and CPA firms will need to make in the near future
- Recognize how consumers perceive these services
- Know what the next generation of CPAs are looking for
- Indicate the key actions that CPAs and CPA firms can proactively take to be relevant and remain best positioned for the future
- Indicate how AICPA is helping members in this space

# Environment

- **120,000 CPAs** offer planning services to their individual clients at some level
- Many **CPAs don't think they will be impacted** if they offer only tax planning & compliance services; this is true for the near term
- Demand is growing and consumers seek a **primary point of contact** to address all of their needs
- **Other providers** offering tax planning & compliance services
- **Technology is forcing professionals to evolve to advisory role** as it simplifies complexities and enhances capabilities
- **Tax reform** provides a great opportunity for CPAs to demonstrate that they can serve as the primary point of contact

## *Financial planning, as defined by the consumer:*

- *Tax planning*
- *Estate/gift planning*
- *Retirement planning*
- *Risk management planning*
- *Investment planning*



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# CPAs are trusted advisers

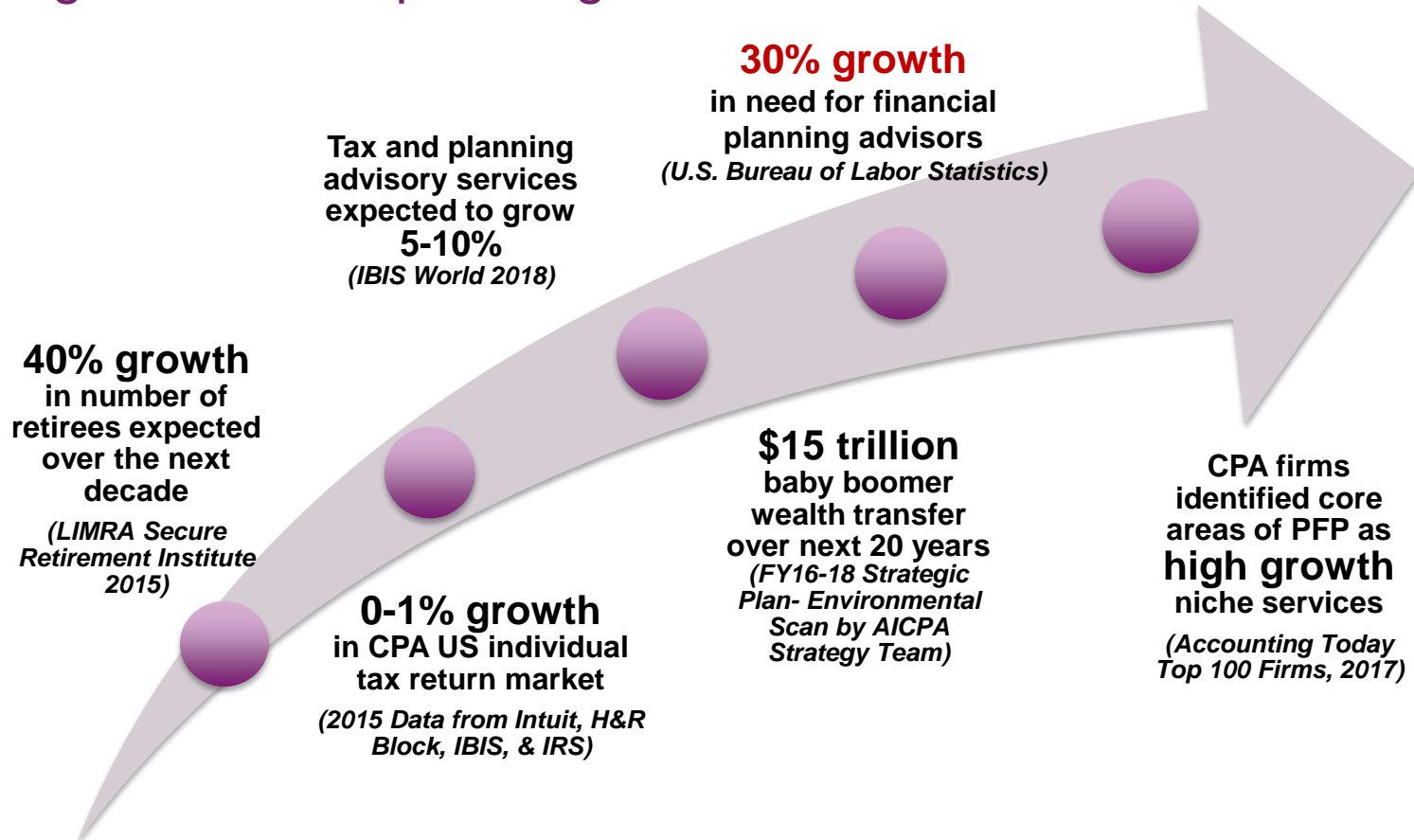
**We must maintain this relationship**

# Opportunity: fulfill evolving client expectations

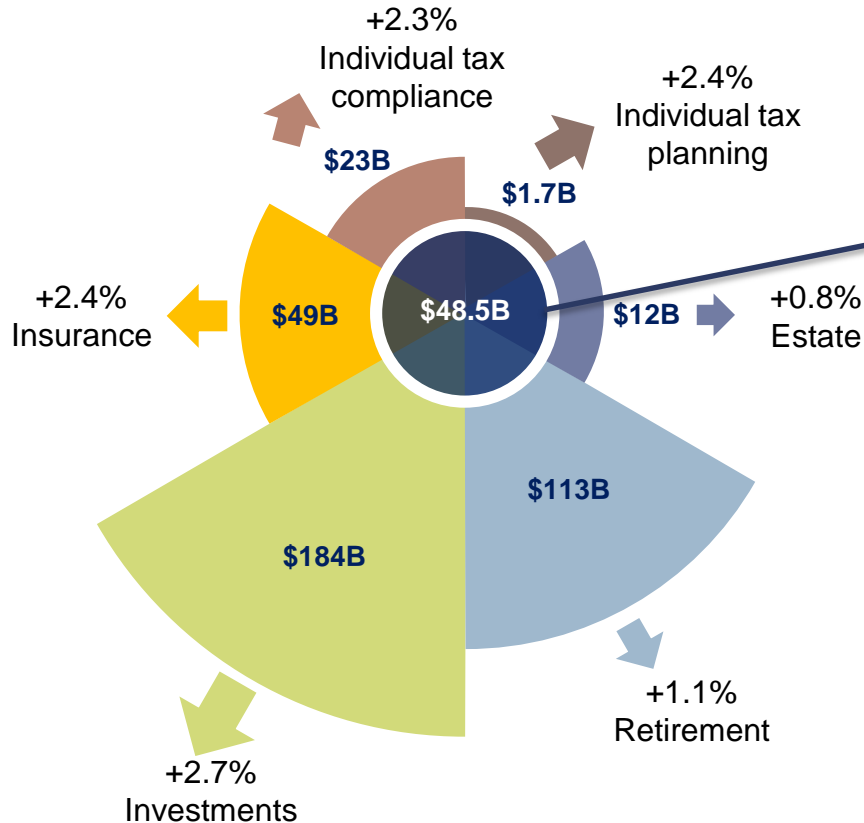
- Primary point of contact
- Deeper relationship
- Generational awareness
- Seamless technology
- Evidence of expertise



# Growing demand for planning services to individuals



# Tax & planning advisory services is becoming the value hub for services to individuals



Tax & planning advisory services has 5-10% estimated annual growth

**Total revenue:**  
\$431B (est. 2016)

**CPA firms' portion:**  
estimated \$18.6B  
or 4.3% growing at  
around 6-7%

# Key opportunities for planning with tax reform

- Itemized deduction bunching – understand client charitable goals
- Roth conversions – might still make sense if rates will be higher in the future
- Asset location – still critical, especially in Draw Down phase
- 199A deduction – will need extensive integration of tax, planning and legal goals
- Estate planning – look at clients between 5-11 mil vs. clients over 11 mil





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# Success requires action

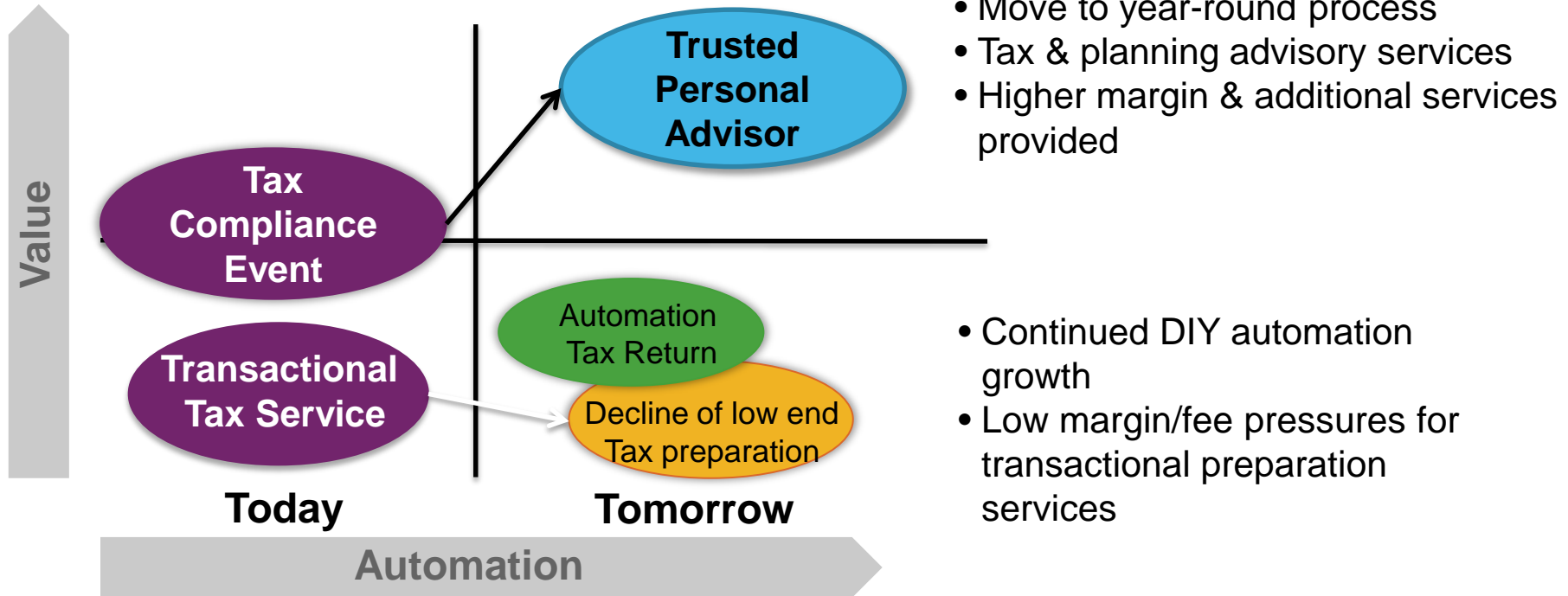
**Evolve the profession to meet expectations**

# US individual tax return market\*

Category	Market Share	Total Returns	Three Year Trend	Average Price	Total Market Value	Comments
Manual	3.3%	5 M	-9%	N/A	N/A	Steady decline over past decade
DIY Software (TurboTax, etc.)	39.7%	60 M	5%	\$0-100	\$2 B	Growth driven by gaining share from manual and storefront categories
Storefront (H&R Block, etc.)	10.6%	16 M	-4%	\$100-200	\$3.5 B	Majority of their clients make less than \$50k a year - EITC key driver
Non CPA Prepared	30.4%	46 M	0-1%	\$100-300	\$6.5 B	Non complex returns losing share to software - new CPA competitors emerging
CPA Prepared	<u>15.5%</u>	<u>23.5 M</u>	<u>0-1%</u>	<u>\$300 – 800</u>	<u>\$11 B</u>	Fundamentals solid - CPA firms primarily support upper 10% of US Market
US Return Market	100%	151 M	1%	\$150	\$23 B	

\*2015 data from Intuit, H&R Block, IBIS & IRS

# Individual tax service value proposition is evolving

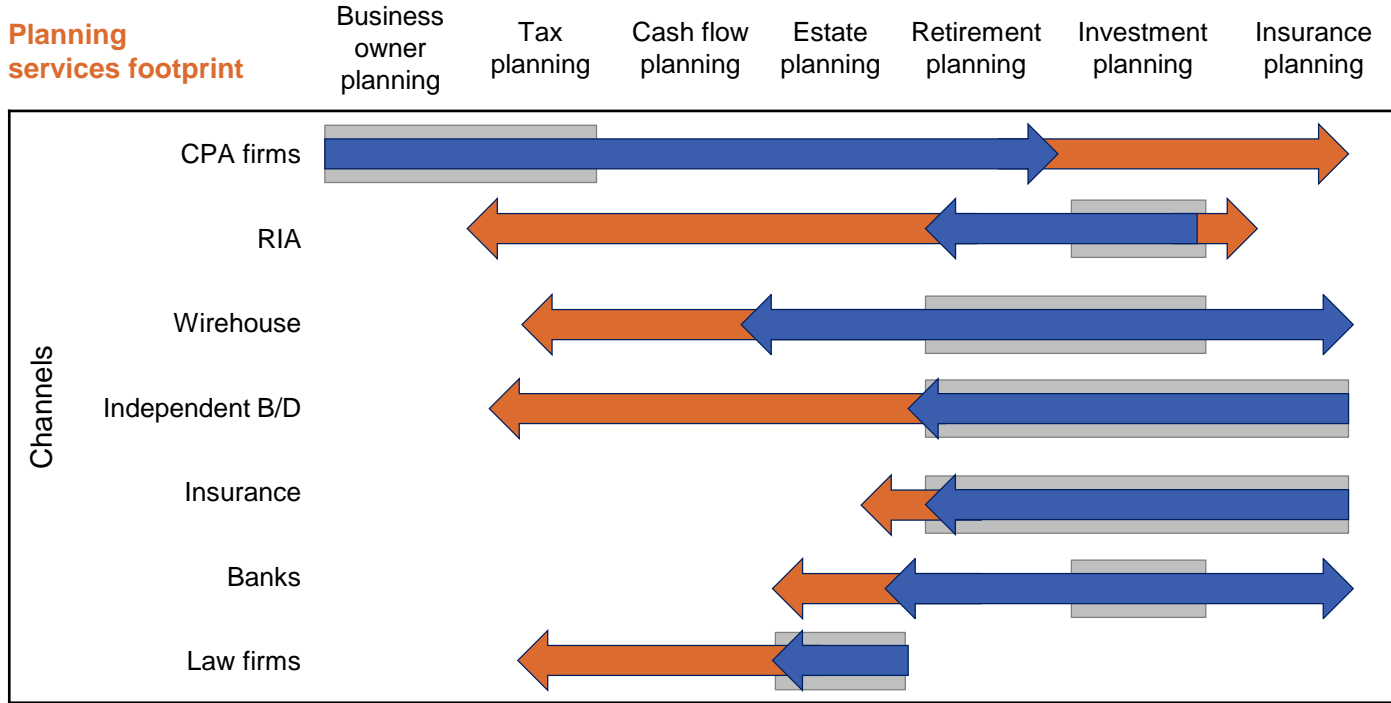


- Move to year-round process
- Tax & planning advisory services
- Higher margin & additional services provided

- Continued DIY automation growth
- Low margin/fee pressures for transactional preparation services

# Planning services footprint

## Planning services footprint



### Legend:

- Service base – over 90% of practices offer this service
- Established trend – Over 75% of practices offer this service
- Developing trend – growing number of practices offering this service

# Key shifts in the individual tax and planning services market

- Consumers prefer a primary point of contact for their financial services needs
- Non-CPA financial planners offering more tax services
- Number of investment advisers providing tax services to individuals nearly doubled from 2013-2015
- Tax practices increasingly adding planning services





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# Terminology

**The profession needs to speak a common language**

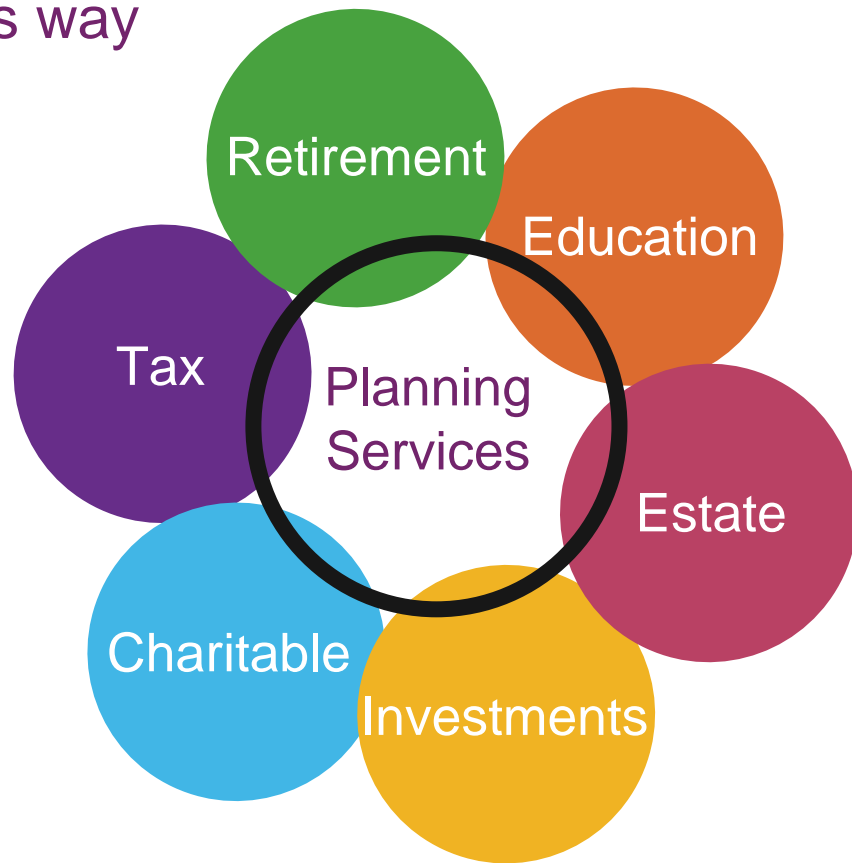
## What to call it?

By employing common consumer language, the profession will reinforce its trusted adviser status.



## Clients see it this way

If you do any combination of these, you are a **PLANNER**







Firms must evolve with  
client expectations.  
Retention and growth  
depend on it.

# Implications for the profession

## Threats

- **Rapid evolution of technology** could displace our professionals
- **Competitors recognizing value of tax relationship** with preferred provider
- **Resistance to embrace market nomenclature** and **broad scope of** planning services

## Opportunities

- CPAs **already providing** services **in the way demanded by the market** (e.g. fiduciary & primarily fee-only)
- CPAs have **trusted advisor relationships**, status with desired market, and **tax advantage**
- CPAs **well-positioned** to provide tax & planning advisory services to individuals
- **Large and growing** financial planning services **market**

# Success depends on

- Adopting effective service models
- Remaining primary trusted adviser
- Proactive planning discussions
- Synchronizing terminology
- Know your changing markets
- Embracing technology
- Validating expertise

# The future generation of CPAs

- Ability to **make a difference** in people's lives
- Opportunity to **provide value**; not tasks a robot could eventually do
- **Be challenged** at work with problems that require critical thinking
- Direct **interaction with clients** and people
- **Flexibility** to work when and where they want, taking advantage of technology
- **Work-life balance**

\*Findings from a group of seasoned CPAs who responded to the 2013 AICPA Compensation Survey

# AICPA resources support professionals

- Personal Financial Planning Section, including communications, resources, hot topic toolkits and PFP Learning Library
- Technical and practice guides library
- Practice tools (Broadridge Advisor, Bob Veres Inside Information, etc.)
- Podcasts, webcasts and conferences (Advanced PFP & PFP Summit)
- PFS program (body of knowledge, education and exam)
- Tax Section (tax reform & tax compliance)

# Use the AICPA Personal Finance Report Card

Category	Item	Grade (0-4)	How to Raise Your Grade
Estate	Wills & Living Trust		
Estate	Titling of Assets		
Estate	Irrevocable Trusts		
Estate	Advance Directives		
Estate	Gifts & Charitable Planning		
Investing	Asset Allocation		
Investing	Diversification		
Investing	Benefits		
Investing	Tax Planning		
Investing	Cost Minimization		
Risk	Business & Umbrella Coverage		
Risk	Life Insurance		
Risk	Property & Liability Insurance		
Risk	Health Insurance		
Risk	Disability & LT Care Insurance		
Spending	Saving Target		

*Clients can share what concerns them most and are motivated to improve their score over time.*

# Use the AICPA Personal Financial Outlook Checklist

## Personal Financial Outlook

Name: \_\_\_\_\_ Email: \_\_\_\_\_  
 Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

The following checklist was adapted from the [Personal Financial Report Card](#) and can be used as a starting point to summarize a client's financial situation and identify important issues and opportunities for planning. Include this checklist in your tax organizers or have new clients fill it out prior to working on a planning engagement.

**Note:** When working with a married couple, both spouses should fill out individual checklists or be sure to answer only "Yes" or "No" when applicable for both spouses.

ESTATE PLANNING	Yes	No	N/A
<b>Wills &amp; Living Trusts</b>			
Do you understand the importance of having a will and an estate plan?			
Do you have a will?			
Has it been updated since the last major life event (birth, death, marriage, divorce, move from another state, etc.)?			
Have you appointed a guardian for your minor children?			
Are you and your spouse U.S. citizens?			
Have you created a living trust (or carefully considered and determined it wasn't necessary)?			
Have you transferred the appropriate assets into the trust?			
Has anyone taken your present plan and flow charted the way your documents <u>actually work</u> and what your heirs will receive from your estate?			
Do you understand the effects of a premature death on your assets and family lifestyle?			
Do your executor and your beneficiaries know the location of these documents or the appropriate person to contact?			
Do you understand how inheritance taxes affect your estate plan?			
<b>Titling of Assets</b>			
Have you properly designated beneficiaries on all retirement accounts and life insurance			

*Use to  
 summarize a  
 client's financial  
 situation and  
 identify  
 important issues  
 and  
 opportunities for  
 planning.*

# Use the AICPA Tax Return for PFP Opportunities Checklist

Done	Dependents and Filing Status	Notes
	What is the client's filing status?	
	Consider running Married Filing Jointly vs. Married Filing Separately analysis for possible lower tax result.	
	Is the client divorced? If so, consider filing status and dependency exemptions.	
	Does the client have dependents?	
	Review dependency rules if parents are being claimed to confirm eligibility.	
	Review dependency rules to consider if any children are eligible to claim themselves. Consider income shifting to take advantage of the children's lower tax rates.	
	Review current and future cash flow analyses with respect to expenses of children and elderly parents. Consider full analysis to include retirement and estate planning (see below).	
	Discuss the future financial commitment of this care with the client. Do the number and ages of dependents indicate that income continuation needs are likely to be high?	
	Has the client considered gift and estate planning opportunities for his or her dependents?	
	Discuss annual exclusion gifting (use it or lose it!). Have gift tax returns been filed?	
	Discuss potential for education planning, including Section 529 plans, gift exclusions, or both, for payments made directly to an institution for tuition.	
	Discuss potential for medical expense planning, including gift exclusion for payments made directly to a medical service provider.	
	Discuss overall estate planning with the client, including desire for trusts for future generations. Consider cash flow analyses to determine the amount the client may be comfortable giving away today.	
Done	Income (except for investment income, flow-through income, and Schedule C income, discussed later)	Notes
	What is the source of the client's income?	
	Understand sources of income—wages, self-employment, partnership, etc. and the client's entire earned income situation.	
	Review controllable and noncontrollable items of income (for example, wages, stock options, etc.) for use in income tax projection planning.	
	Are there any income deferral opportunities available given the client's income source?	
	Discuss the benefits of saving through 401(k), 457, 403(b), Simplified Employee Pension Plans (SEP), or IRAs (including Roth).	
	Are maximum 401(k) contributions being made? Assist client in discussions around benefit of maximization of contributions and deferrals and tax-deferred time value of money. Consider full projections to illustrate.	
	Discuss benefits of 83(b) elections, if applicable.	
	Discuss benefits of exercising stock options in one year or another (prepare income tax projections).	

*Review your client's tax return to discover areas that open the door to a conversation.*



# Use Broadridge Advisor



Planning/Saving for Retirement



Managing College Expenses



Long-Term Care Planning



Planning an Estate



Planning for Business Succession



Nearing Retirement/Retirement



Caring for an Aging Parent



Loss of Spouse

*Over 3,000  
ready-to-use,  
client-friendly  
communication  
pieces and  
presentations,  
customizable to  
you.*



**Broadridge**

ADVISOR  
SOLUTIONS

## Where to find support

- Tax & planning advisory services webpage to be released mid-2018
  - brings together tax & planning content
    - Why should I offer tax & planning advisory services
    - Where can I find training and resources
    - What to communicate to clients about the value of these services
- [aicpa.org/pfp](http://aicpa.org/pfp); contact the PFP Division staff at [financialplanning@aicpa.org](mailto:financialplanning@aicpa.org)
- [aicpa.org/tax](http://aicpa.org/tax); contact the Tax Division staff at [taxsection@aicpa.org](mailto:taxsection@aicpa.org)
- [aicpa.org/taxreform](http://aicpa.org/taxreform) (available now) and [aicpa.org/pfp/proactiveplanning](http://aicpa.org/pfp/proactiveplanning) (updated for tax reform impact on planning – coming in March)



Thank you