Technology for a tax and financial planning services business

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About the Author

Chris Benson, CPA/PFS, is a principal at L.K. Benson & Company based in Baltimore, MD. Chris leads the firm’s financial planning practice and his previous experience at a large accounting firm has given him an in-depth background in tax matters. Chris has revolutionized the technology structure within the firm’s financial planning practice, helping drive decisions and stay on the cutting edge of technology changes in the profession. Chris also formed the AICPA PFP Young Advisers group, where he helps young CPA financial planners connect across the country.
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Introduction

The only constant in this world is change, and one needs to look no further than the technology solutions available to CPA financial planners today for proof.

This technology, if used properly, can allow you to run a more efficient practice and serve clients better than ever before.

In this overview, we will outline the various technology programs for you to consider for your clients and practice. Specific technology solutions are constantly evolving, and there are several online resources, including the annual software survey created by T3, Inside Information and Advisor Perspectives, the T3 Virtual Exhibit Hall and the Kitces FinTech Solutions Map, all available within the Technology Toolkit to help you stay updated on the latest trends, developments and offerings available to professionals in this area.

This toolkit is designed for members looking to start, expand or improve their financial planning services to individuals.

If you are looking for information specifically related to tax compliance software, the Journal of Accountancy publishes an annual tax software survey.

Before you invest time exploring specific technology solutions, it’s important to take a step back and think strategically about your business and what you are trying to accomplish with technology. Here are some questions to ask:

1. Who is your ideal client?
2. How big is your business now and what is your vision for the future?
3. What type of work do you most enjoy doing for clients?
4. How do you prefer to interact with clients?
5. What is your budget for implementing new technology?
6. What do your colleagues and other advisers use in their firms?
7. What other software do you already use and are there any integrations?

The answers to these questions will serve as a guide as you assess the various software solutions covered in this overview under four categories: client service, planning, investments and practice management.
Client service

Our business revolves around serving clients, so we need to have technology solutions in place that also revolve around our clients. A Client Relationship Management (CRM) solution is a key component to being able to serve those clients and run a planning and tax advisory services business. What might have initially been a replacement for a Rolodex of contact names and numbers has transformed into the central nervous system for the practice of the future.

Everything you do for a client should be tracked in your CRM. This includes recommendations you make for clients, tasks you complete for them, meetings and phone calls, and new business opportunities. Tracking everything in one organized place prevents you from having to try to memorize everything about every client. If you have other employees, it will also help everyone stay on the same page and be able to quickly understand everything about mutual clients. Most CRM solutions offer additional features like the ability to group clients by common features or interests and to mass communicate with particular groups of clients.

This can be a powerful tool to increase your connection to your clients.

While your CRM should be the central hub of your practice, there are many other software solutions that can both improve the client experience and make your life easier:

- **Scheduling** — Allow clients to use a link to find a time on your calendar instead of back-and-forth calls and emails with clients to schedule meetings.

- **Data gathering** — Make your clients’ lives easier by providing them with a seamless data-gathering software solution that ties into your CRM and other programs, reducing redundancy and data entry errors.

- **Virtual receptionist** — Outsource phone answering to a virtual receptionist so that clients can still talk to a real person when they call your firm.

- **Personal financial manager** — Organize the various pieces of a client’s financial life in one central location. In addition to seeing a client’s investment account values, you can also access their workplace retirement accounts, checking accounts, life insurance, house values, mortgages and many more items all in one place. Some are even beginning to offer basic cash flow monitoring capabilities that allow advisers to dig deeper into one of the key aspects of a client’s finances – their expenses.

- **Document storage and file sharing** — Exchange documents with sensitive information in a more secure method than email.

- **Electronic forms and signatures** — Complete account applications and form a painless experience for your clients.

Some examples of CRM software are Wealthbox, Junxure, Redtail and Salesforce.*

*See the annual software survey created by T3, Inside Information and Advisor Perspectives for more examples and to see which programs are the most popular. The survey is open to PFP Section members.
Planning

For many years, the financial planning profession relied on Excel to run financial planning projections for clients. Excel is a great tool that offers endless customization options for running these projections, but it requires a significant amount of work to develop appropriate templates and to keep everything up to date.

Luckily, there are a growing number of financial planning software options that allow you to run sophisticated planning projections, test various scenarios and see the entirety of a client’s financial picture. Some even allow for the client to input data, which allows them to become engaged in the process, understand what the projections mean and act on the recommendations. Most planning software available today is cloud-based, updated regularly and will likely integrate with many of your other software solutions making for a seamless experience behind the scenes.

By integrating this software into your practice, you’ll be able to help guide clients in all areas of concern in a way that is efficient for your firm and meets their changing needs and expectations.

Some examples of financial planning software are Money Guide Pro, eMoney and Right Capital.*

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Financial planning covers a wide range of topics and, if you so choose, you could opt for software solutions to help you with specific subject areas. Depending on your client base, you might find some of the following topics and software solutions particularly relevant for your clients:

- Social Security Claiming Strategies
- Health Care Planning in Retirement
- Medicare Planning
- Insurance Needs Analysis
- Digital Estate Planning
- College Education Funding
- Debt Management
- Retirement Withdrawal Planning
Investments

The software solutions you need to help you manage your clients’ investments will depend on your approach to delivering investment advice. While every CPA financial planner needs to consider a clients’ investments, there are three primary options for delivering advice on portfolios:

- **Hands off** — If you’d prefer not to directly handle your clients’ investment portfolios, you can simply serve as an objective third party and provide advice to your clients for them to implement on their own.

- **The handoff** — Many CPA financial planners want to help their clients implement appropriate investment recommendations but don’t want to directly manage their clients’ assets. This is where a third-party investment manager might make sense to allow a planner to “handoff” the client’s direct investment management responsibilities, while still overseeing their portfolio. There are many types of solutions ranging from traditional investment managers to more automated investment platforms (robo-advisers). Planners should select a manager whose investment philosophy is aligned with their own and whose client service will match up with their client expectations. For instance, if all your clients are retired and prefer paper statements, an automated investment management platform likely won’t make sense.

- **Hands on** — This approach is for CPA financial planners who want to directly manage their client’s investments.

There are many technology solutions you need to consider if your firm is directly managing client assets:

- **Custodian** — The first place to start if you plan to manage investments directly is to select the custodial platform firm you’d like to use to house client assets. You might not think of a custodian as a technology solution and there are certainly non-technology items you need to consider in your search. But today, much of your interaction and your clients’ interaction with the custodian will be electronic.

- **Performance reporting** — If you are going to manage portfolios, you also need to monitor the performance of those portfolios. This software, while expensive, comes with some incredible features that cross over outside of just performance reporting.

- **Rebalancing software** — There are several solutions that allow you to automate the tedious task of rebalancing client portfolios and doing tax-loss harvesting. These can often be integrated with your custodian or performance reporting software, but they can also be purchased on a standalone basis.

Some examples of portfolio management tools are Orion, Black Diamond, Envestnet/Tamarac, Morningstar Office.*

*See the annual software survey created by T3, Inside Information and Advisor Perspectives for more examples and to see which programs are the most popular. The survey is open to PFP Section members.*
Regardless of which approach you are taking to delivering investment advice, there are other software solutions that everyone should consider for the investment analysis process:

1. **Risk tolerance questionnaire** — These have been a staple of the financial planning process for years, but often took the form of a static document with a few multiple-choice questions. We now have software solutions available that allow clients to go through this process online. Many of these have gone through rigorous academic testing and offer a much more comprehensive view of a client’s risk tolerance than a simple document could.

2. **Behavioral assessments** — It’s not just a client’s risk tolerance that determines how they will behave during a market downturn. As the field of behavioral finance grows, so to do the software solutions that allow us to assess our client’s behaviors so that we are better able to develop a financial plan that will work for each individual client.

3. **Investment policy statement** — CPA financial planners have used these for years to document the client’s investment approach and to lay out the rules that will be followed in implementing that approach. There are several software providers who can help automate this process and eliminate the manual work.

4. **Portfolio analytics and stress testing** — Whether you are developing your own portfolios or simply reviewing a client’s portfolio, you should be taking advantage of these analytical software options.

5. **Investment research** — If you are managing portfolios, you need to do proper due diligence on the investments you choose, so you should have access to some type of investment research software. If you aren’t managing portfolios directly, you still need to review client holdings and could be exposed to an even wider range of investment options. Investment research software solutions will help you with this.

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Practice management

Now that we’ve covered the primary types of technology that you should be using “in” your business, it’s time to look at the technology you should be using to work “on” your business.

We often get so focused on the day-to-day client work that we don’t invest time in moving our business forward.

Luckily there are many software solutions that can help us in this area as well:

• **Marketing** — Your approach to marketing should be tailored to your own personality and your typical client. Some advisers like to write and might be best suited to starting a blog and sending out regular e-newsletters to clients and prospects. Other advisers are good speakers and would be better served to post online video content to send to clients and prospects. Or maybe you don’t like to be on camera and would be better off starting a podcast for your clients and prospects to hear. Whatever your approach, you’ll find software solutions that can help you better implement your marketing plan and to convert more of your prospects into clients.

• **Bookkeeping** — You don’t have to wait until the end of the month (or quarter or year) to reconcile your books and see how your business is doing. With cloud-based, integrated technology, you can monitor your practice more efficiently on a real-time basis, allowing you to head off any small problems before they turn into big ones.

• **Billing** — How you bill your clients will depend largely on how you build the rest of your practice. Many “hands-on” CPA financial planners will bill clients directly out of their managed investment accounts, while hourly or fixed fee advisers need to send out regular invoices. Consider online bill pay options and electronic invoices in place of paper invoices and checks to make it easier for your clients.

• **Compliance** — If you are registered with the SEC or your state regulatory authority, there are an endless number of rules and regulations applied to our business. Unless you work in a big firm with its own compliance department, you are likely best off outsourcing as much of your compliance work as possible. There are several software solutions out there that can help with this and many external consultants who will use software to help you manage the compliance burden.

• **Cybersecurity** — While all the software solutions mentioned so far in this roadmap will improve your practice, they also open you up to significant cybersecurity risks. The benefits of technology far outweigh these costs, but you still must be diligent in developing a cybersecurity plan. The software tools available to you here are numerous, and you should be considering everything from antivirus software to VPNs to password managers. You could also consider outsourcing this service to one of the many cybersecurity firms serving our professional community.

We often get so focused on the day-to-day client work that we don’t invest time in moving our business forward.
Tips for implementing new technology

At this point, you should understand what type of technology you need in your firm and you are ready to begin implementing. Whereas the discovery and analysis phase of selecting a new technology can be fun as you see all the great features of a new software, during implementation you will likely uncover challenges. It can be a long and tedious process so here are some tips to keep in mind before you begin the implementation process:

- Get your entire team on board with the change by highlighting how it will benefit them and your clients.
- Make sure everyone in the firm is trained extensively on the new software. Training can be expensive and time-consuming, but it is essential to success.
- Be prepared for the implementation phase to take longer than you expect. If you don’t keep your expectations in check, you will surely become frustrated.
- Consider hiring interns to help set up new technology or to do the conversion from old software to a new option.
- Give the new software at least a year before you evaluate whether it was a success. It can take some time to work out all the kinks and provide a fair assessment.
Conclusion

We are fortunate to be living in a time of incredible innovation. With the technology solutions available to CPA financial planners today, you can create your ideal business. Whether you are starting from scratch, trying to transform your business or just looking to improve in one or two areas, it’s important to take advantage of this opportunity. This overview should serve as a starting point for you on this journey, and there are several other resources in the Technology Toolkit available on the AICPA Personal Financial Planning Section website. Take advantage of these resources and use technology to help you build the business of your dreams.

For more information, tools and resources on technology for a tax and financial planning services business, access the Technology Toolkit.