



# Roadmap to developing a planning & tax advisory business

## Executive summary

## Starting with why

CPAs are forward-thinking and relationship-oriented professionals. Taking the time with individual clients to think about their life goals and financial needs in an integrated way has always been core to the profession and has been growing steadily over the past decade, with CPAs broadening into new areas that now benefit greatly from their expertise and insight a CPA can offer. These are exciting times that bring new possibilities for CPAs who are willing to embrace them. Those CPAs who do will find success, longevity and a satisfied client base. If you are considering expanding or formalizing planning & tax advisory services, let the *Roadmap to planning & tax advisory services* guide you on your journey.

If you're like most CPAs, your focus is on your clients' needs. Their needs are changing, and there is an increasing demand for experts capable of providing objective advice to individuals, families and business owners on complex financial situations. With a growing and aging population, your clients and their next generations will need guidance on tax, estate, retirement, risk management/insurance and investment planning. Broadening services from tax into other planning areas can provide CPAs with higher client retention and deeper relationships with clients, additional revenue and increased value of the firm when it comes to planning for succession.

15%

growth in the need for financial planning advisers<sup>1</sup>

82 million

baby boomers will retire<sup>2</sup> and over \$15 trillion will transfer to the next generation<sup>3</sup> over the next two decades

CPA firms

identified core areas of planning as high growth niche services<sup>4</sup>

<sup>1</sup> U.S. Bureau of Labor Statistics

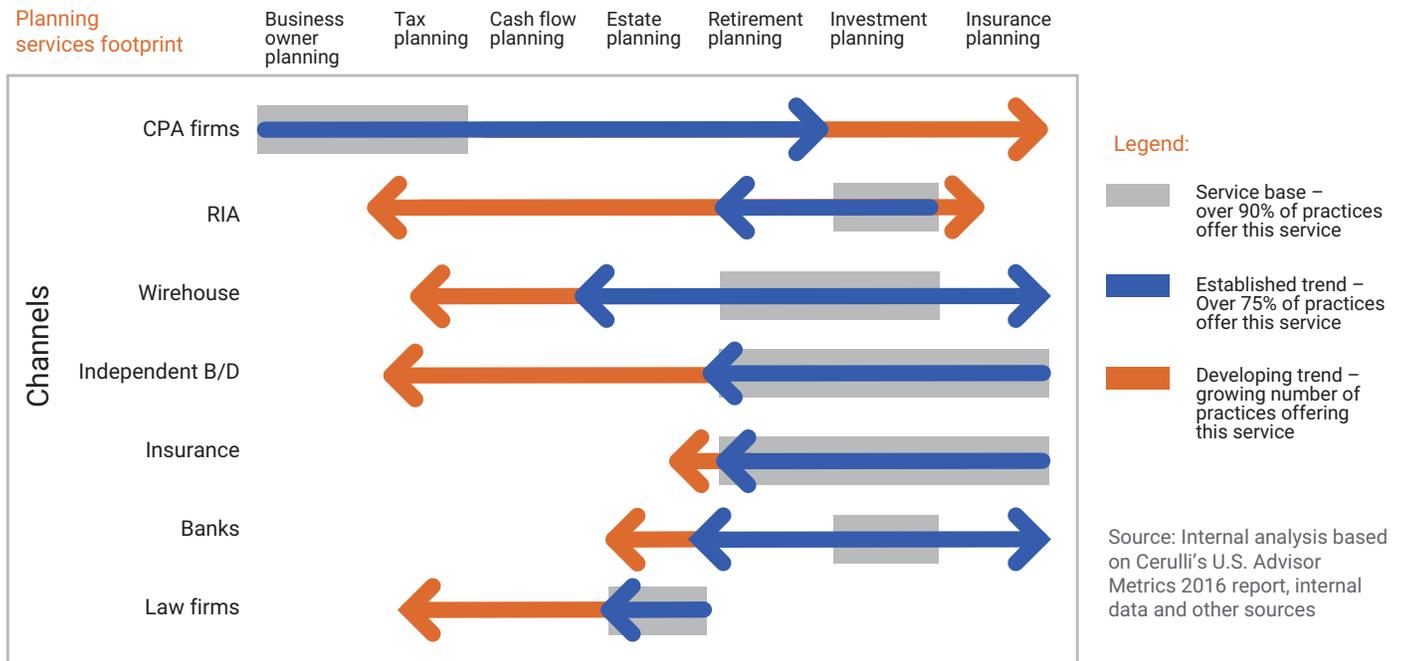
<sup>2</sup> LIMRA Secure Retirement Institute 2015

<sup>3</sup> AICPA FY16-18 Strategy Plan Environmental Scan

<sup>4</sup> Accounting Today Top 100 Firms, 2018

With the technological advances, increased competition, changing needs and demands of consumers, and a shifting regulatory environment, now is the opportune time for CPAs. Those who have historically provided only tax planning and compliance services for individuals can initiate this change for themselves and their clients by evolving their offerings to include an integrated services approach and maintaining relevance in the future. Making investments to broaden and transform these services and our profession now will help CPAs maintain our trusted adviser role for the long-haul.

With the commoditization of tax compliance services on one end and investment management services on the other, the value to clients and prospects is with planning and advice to assist with their complex finances. As the chart below illustrates, CPAs are already established in all advisory areas other than investment and insurance planning, placing them ahead of their competition.



# Key priorities for practitioners

Here are seven key actions to consider in the evolutionary journey to embrace the planning & tax advisory services approach and to protect your future relevancy as a CPA serving your individual clients:

1. Adopt appropriate **client service models** for your practice. What do you want to be to your clients? Offer an integrated services approach as the primary point of contact or hyper-specialize in an area like elder or divorce planning.
2. Emphasize activities that maintain and promote the profession's **trusted adviser status**. Leverage your highly ethical standards. Promote your tax advantage. Showcase your rigorous training and ongoing education.
3. Evolve your operating business model to identify your target market and billing and fee structure. Most CPAs who provide planning & tax advisory services are fee-only as this better aligns with their ethical requirements. Explore ways to serve the mass affluent market segment. Evaluate value billing models. Establish additional value in your practice for a winning succession plan and exit strategy.
4. Adopt **technology** as a core business and client necessity. Embrace technology solutions to make available time to establish the deeper relationships clients want.
5. Incorporate **proactive planning** to meet broader client needs. Focus on the necessary interpersonal skills to shift to a coaching, consultative, client centric approach.
6. Align **nomenclature** with the market's understanding of the services provided. CPAs provide planning & tax advisory services under a myriad of titles (i.e., wealth management, private client services, tax planning and others). Consumers call these services "financial planning" and it is important that our profession aligns to the market.
7. Hold a **recognized financial planning credential, like the CPA-exclusive Personal Financial Specialist (PFS™)**.

## The role of the CPA

### The CPA as primary point of contact or hyper-specialist.

CPAs can provide clients with a valuable and much-needed service by acting as the primary point of contact who can integrate the full scope of their clients' financial lives. Many financial plans require input from various professionals: not only CPAs but estate planning attorneys, investment advisers, insurance brokers and others so it is not necessary to offer every type of planning service or to manage investments or sell products. However, consumers can run into trouble if all these professionals give input on their plans independently, with no one overseeing and integrating the full picture. CPAs can play the role of "primary point of contact," coordinating among all the various experts working on a client's plan while providing their own financial expertise.

CPAs can also serve clients as a hyper-specialist by offering services in a niche area (e.g., elder planning, divorce planning, planning for families with special needs) and working with a primary point of contact to ensure his/her clients are receiving advice on their entire financial situation.

### The CPA as the proactive planner

Your clients are humans, not numbers. Understanding them, their "why", their purpose and their goals and aspirations by asking questions and listening is fundamental to designing a personalized plan that is supported by the numbers. By incorporating proactive planning into your client meetings through active listening and open inquiry, you will elevate both their trust in you and their perceived value of the services you provide.

# What are planning & tax advisory services?

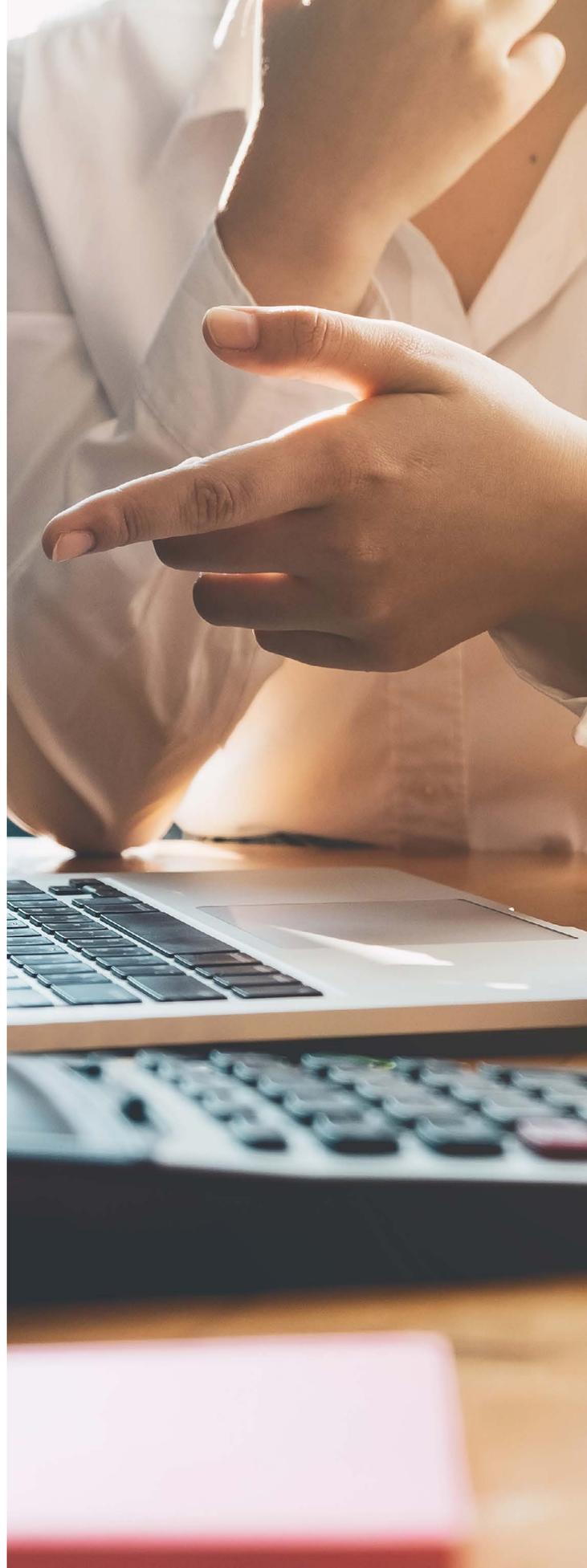
## Tax as a bridge to planning services.

CPAs are uniquely well-positioned to offer the full scope of planning & tax advisory services. They already hold the position of the trusted adviser, provide services in an objective manner with the best interest of the public at the forefront and often offer a combination of business owner planning, cashflow, tax, retirement and estate planning. Tax planning is an integral value proposition for clients and it can also serve as a jumping-off point for providing clients with other value-added services. In fact, if clients aren't already asking you questions during a tax engagement about their other financial goals or needs, you should proactively expand the tax relationship with these deeper conversations using resources such as the **Tax Return for Planning** and **Personal Financial Outlook** checklists. Tax reform has created a meaningful opportunity for CPAs to showcase their expertise, ask clients deeper questions about their goals, and weave tax planning into clients' broader planning picture.

## The main types of services

- Tax planning
- Estate/gift/wealth transfer planning
- Retirement planning
- Risk management/insurance planning
- Investment planning
- Cash flow planning
- Charitable planning
- Elder planning
- Education planning

If you are looking for examples of the types of activities that fall within each category, reference the Roadmap to Planning & Tax Advisory Services and the **body of knowledge**.



# Developing a planning & tax advisory business

There are different ways to develop a planning & tax advisory services approach. Evolve the scope of your current business or services to serve as primary point of contact, consider your unique areas of expertise and hyper-specialize, or consider building your practice from the foundation. Your business model is an important strategic decision whether you establish a free-standing service department, group, or entity, provide investment advice or not, or manage assets or not. Because planning & tax advisory practices vary greatly in size and in their business approach, there is no “one-size-fits-all” solution.

## Pricing and fees for services

Compensation is an important consideration when selecting your business model. Three primary pricing structures include fee-only, fee-based & commission. Most CPAs offering planning & tax advisory services operate on a fee-only basis because this aligns best with their professional responsibilities, meaning that they accept compensation only from their clients and do not accept commissions or referral fees from third parties. Services can be billed on an hourly, flat-fee or retainer basis or as a percentage of assets under management. 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.

## Professional responsibilities and engagements

Standards – CPAs maintain our trusted adviser status and differentiate ourselves from other providers by protecting and promoting high ethical standards embodied by the CPA profession, promoting the advantage of the complex foundational CPA curriculum and by committing to rigorous ongoing education. The **AICPA Code of Professional Conduct, Statement on Standards in Personal Financial Planning Services** and **Statement on Standards for Tax Services** guide members in this area.

Regulatory considerations – In delivering planning services, there are legal and regulatory issues different from those of audit, accounting, or even tax. Be aware that if you choose to provide investment advice or manage assets as part of your practice, you must consider compliance with investment adviser regulations. *The Roadmap to Planning & Tax Advisory Services* and *The CPA’s Guide to Investment Advisory Business Models* will help you find valuable information.

## Taking the next step

The AICPA’s **Personal Financial Planning** and **Tax** Divisions are here to serve you. These teams are creating resources to support CPAs and bring together planning and tax content. Visit the **Planning & Tax Advisory Services** website for more information and resources to help you on this journey, including the Roadmap to Planning & Tax Advisory Services.

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