AICPA™®

Personal Financial Planning Section

Tax, retirement, estate, risk management and investments

Roadmap to developing a planning & tax advisory business

Acknowledgements

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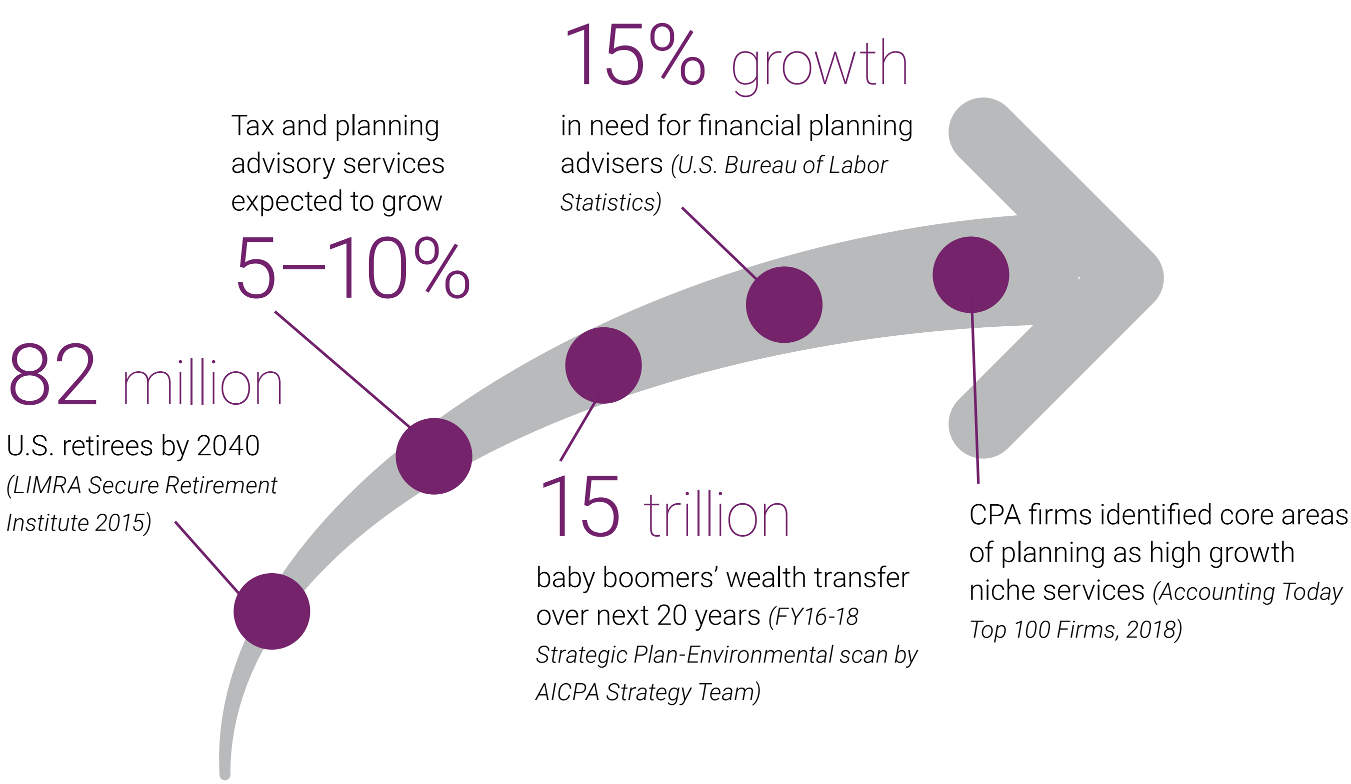
Introduction — Starting with why

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 this roadmap guide you on your journey.

The growing demand

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.

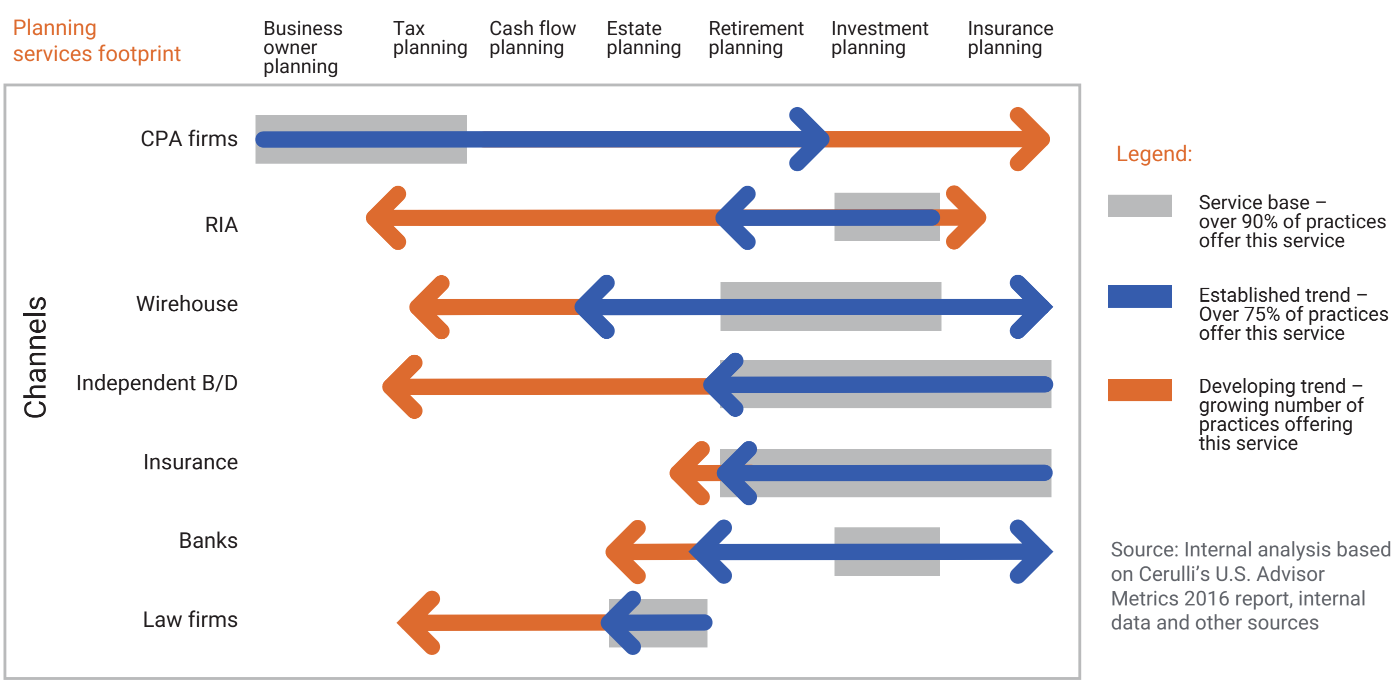


The landscape

"We live in extraordinary times, and we need to evolve as a profession. Futurists say that the rate of change will be almost incomprehensible, and the implications are incredible as well. This comes home to roost in our profession." – Barry Melancon (2017 AICPA ENGAGE conference)

External factors such as the commoditization of services due to enhanced technology, increased competition, changing needs and demands of consumers and a shifting regulatory environment are creating an opportunity for CPAs. Those who have historically provided only tax planning and compliance services for individuals can initiate the change for themselves and their clients by evolving their offerings to include an integrated services approach. Making investments to broaden and transform these services now will help CPAs maintain their 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 already are established in all advisory areas other than investment and insurance planning, placing them ahead of their competition.



Source: Internal analysis based on Cerulli's U.S. Advisor Metrics 2016 report, internal data and other sources

The economic benefit

Broadening services from tax into other planning areas such as estate, retirement, risk management and investment planning can provide CPAs with additional revenue streams, deeper relationships with clients and increased value of the firm when it comes to planning for succession.

Broadening current service offerings to include planning services has many benefits, according to CPA firms surveyed in AICPA's 2014 economic benefit survey:

- Higher client retention (83% reported never or rarely lost tax clients due to planning-related issues)
- Increased revenue and profitability (79% reported profitability in the first year)
- Ability to attract new clients and retain current clients
  - 63% reported increases in new clients
  - 53% reported increases in professional referrals from other advisers
  - 25% reported increases in client referrals
  - 39% reported increases in client retention

91% of firms that provide PFP services also provide other services

64% said PFP clients provide more revenue to their firm than non-PFP clients

65% said PFP services increase their firm's value

The common misconception

For some CPAs, the term financial planning invokes images of managing investments or selling products; but you may already be providing your individual tax clients with financial planning services, such as developing funding plans for children's education and retirement cash flow or transferring wealth to younger generations. Only 28% of economic benefit survey respondents offering financial planning services named investment management as one of their top five sources of revenue, underscoring the importance of offering a broad range of services. The most profitable planning & tax advisory services, according to the survey, were tax, estate, retirement, investment (when combining investment management and investment planning) and cash flow planning.

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.

Type of service

Here are some examples of services you can provide in tax, estate, retirement, insurance, investment planning and more:

Type of service	Examples of activities
Tax planning	• Addressing the tax impact of estate, retirement, investment, insurance, education, or charitable-related goals • Multi-year planning • Income tax bracket management techniques
Estate/gift/wealth transfer planning	• Transferring assets to the next generation • Disposition of property • Review legal documents such as wills, trusts and powers of attorney • Establishing beneficiary designations • Titling of assets • Providing for family members with special needs • Making gifts • Federal estate tax planning, including the marital deduction, portability, etc.

Type of service	Examples of activities
Retirement planning	• Plan timing of Social Security benefits • Determining when and how much income your client needs to retire • Advising clients on the types of retirement accounts to use for savings and the tax implications • Determining cash flow and drawdown strategies during retirement • Taking required minimum distributions • Roth conversion planning
Risk management/insurance planning	• Evaluating your clients' needs for: – Life insurance – Disability insurance – Long-term care insurance – Health insurance – Property insurance – Liability insurance • Working with other service providers to obtain the policy that is in the best interest of your client • Tax planning with insurance • Selling insurance products or annuities
Investment planning	• Asset allocation strategies • Evaluating a client's risk tolerance • Tax-positioning on specific holdings • Determining strategies to supplement retirement savings • Calculating after-tax rate of return on investments • Drafting an investment policy statement • Managing assets for compensation • Planning and/or implementing securities and investment products that are in the best interest of your client to support their financial goals
Cash flow planning	• Creating a budget • Creating a needs analysis • Determining withdrawal rates in retirement

Type of service	Examples of activities
Charitable planning	• Making gifts to charity • Fulfilling donor’s intent while gaining tax benefits using charitable trusts • Charitable deductions and the impact on tax planning
Elder planning	• Medicare and supplemental health insurance needs • Medicaid planning • Reverse mortgages • Addressing health care needs or senior housing options • Discussing long-term care options with clients • Educating your clients about end-of-life care costs • Tax strategies for clients with chronic illness
Education planning	• Education funding methods and strategies • Using Section 529 and Coverdell savings plans • Financial aid analysis and decision-making • Tax planning with education-related credits and deductions

For more examples of services, refer to the body of knowledge.

You may be wondering how to become competent in the planning areas that you aren’t currently providing.

Consider the education pathway to the CPA-exclusive PFS credential to gain confidence in providing these services and the competence that the CPA/PFS credential demonstrates to your clients:

Assess your PFP knowledge	Review the PFP Body of Knowledge. Take a knowledge check to evaluate your proficiencies and find related learning resources.
Obtain education	Learn by topic through the Certificate Pathway or register for the Planning Boot Camp which provides a comprehensive overview.

aicpa.org/cpaadvisoryservices

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. Here are some ways to approach this:

Evolving your current business

Formalize or expand the scope of present consulting work, showing your clients the value-added services you can provide. Refer to the types of services described earlier and use the Personal Finance Report Card and the Personal Financial Outlook to help your clients discover areas where they can strengthen their plans.

Review client tax returns or tax organizers as well as new tax laws for planning ideas, using the Analysis of a Tax Return for Financial Planning Checklist to help you identify planning opportunities based on your client's latest tax returns and related documents and the Impact of Tax Reform on Planning Toolkit to determine the impact of tax reform on your clients financial situation.

> Planning & tax advisory practices usually are built by starting small and slowly extending the business as the practitioners and their clients become more comfortable with the new levels of service.

Build and formalize services from the beginning

If you have an entrepreneurial spirit or owning a business is your dream, consider designing your practice from a clean slate. Focus on the unique way that you can serve your clients, aligning your competency and skills with the types of clients you wish to serve. If this seems like a daunting task, remember that you have a vast array of resources surrounding you on this journey.

> One of the most valuable steps you can take is to surround yourself with like-minded individuals.
>
> Consider attending a special workshop, like **Building a Tax & Financial Planning Advisory Business**, to meet peers and seasoned practitioners who have built their own practices and who can guide you along this journey. Visit the Planning & Tax Advisory Services resource center for even more in-depth information and resources.

Organizing a planning & tax advisory client-service model

Determining the best client-service model for you to deliver planning & tax advisory services is an important decision. Start with a client-centered approach and consider several factors such as the size of the existing practice, type of planning services offered (for instance, investment adviser services), individual experience levels, regulatory issues and liability issues.

Consider the role — your clients' CPA and most trusted adviser — as the primary point of contact or hyper-specialist as discussed earlier. Spend some time reflecting on what you do best. Determine the highest and best use of your time. Delegate with intention, whether it is to another staff person, or another professional on the advisory team. Design your business model around this.

If you are working in a medium or large firm, you are likely already part of this business in some way. Taking an integrated approach to planning & tax advisory services, rather than viewing them as separate service lines, will benefit both your firm and your clients by creating one unified offering and experience.

Managing a planning & tax advisory business

One key to profitability for a planning & tax advisory business is well-planned and organized engagements. Create a mission statement, framework and step-by-step process to delivering high-quality services to your clients by:

- Establishing a clear process to follow for 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

Operating considerations

Whether you are building your business from the foundation or you are expanding or formalizing services within an existing firm, getting started and keeping it running can be as simple or complex as needed. Here are some operating considerations to consider wherever you are on your journey:

Strategy and operations.

Business model — Your business model is an important strategic decision, whether you establish a free-standing service department, group or entity, provide investment advice or manage assets.

The following are some common business models in which CPAs choose to offer planning services to their clients:

- Auxiliary part of tax practice within an existing firm
- Free-standing service department or group within an existing firm
- Separate entity affiliated to CPA firm
- Stand-alone business not affiliated to CPA firm

Legal fees — Explore the costs related to determining the type of operating entity, registered investment adviser fees and other regulatory compliance and risk management issues as applicable.

Professional liability insurance — Your premiums may be affected by whether you provide investment management services. Access discounted AICPA insurance available to members.

Promotion and marketing costs — Refer to the business development and marketing section below.

Technology and client service — Because planning & tax advisory practices vary greatly in size and in their business approach, there is no "one-size-fits-all" technology solution. Your firm's technology needs will depend on a wide variety of factors, including the business model, size, client profile, budget and goals. Fortunately, the cost of entry can be very low if you do your homework. You may already have the tools you need!

Software —

- Client relationship management (CRM)
- Planning software, like MoneyGuide Pro, eMoney Advisor and the like
- Robo-advisers — determine how online services can best support your business and leverage digital solutions
- Tax research and/or compliance software
- Accounting software for billing customers and tracking expenses
- Cloud services for backup and paperless document storage
- Social media archiving (record keeping is required for registered investment advisers)
- Portfolio rebalancing software and custodian services (if applicable)

Client service tools — Planning software continues to evolve from a behind-the-scenes calculator to a collaborative tool to use with clients and is moving toward the support of ongoing planning services and client relationships. Through technology, advisers are no longer the gatekeepers of information and clients can view in real-time where they stand financially. Investing in planning software and leveraging the latest technology will transform your relationships with clients, reinforcing the value of the services you provide. Explore this topic in-depth.

Human capital — Invest in yourself and your staff (if you have them).

- Staffing — consider specialists with credentials such as a CPA/PFS
- Continuing education for you and your staff, as well as staff training — take a knowledge check to evaluate your proficiencies and find related learning resources
- Technical resources
- Specialized exam fees — for example, PFS, investment adviser licenses if applicable and the like
- Membership dues for professional organizations, including Personal Financial Planning (PFP) and Tax Section members dues

Pricing and fees for service

Compensation is an important consideration when selecting your business model. Three primary pricing structures include:

- Fee-only — 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 — A combination of fee-only 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.
- Commission — Compensation issues fall under the AICPA Code of Professional Conduct (Code). Third-party commissions and referral fees are prohibited in certain circumstances. For more information on these restrictions, refer to the Code, Statement on Standards in PFP Services or *The CPA's Guide to Investment Advisory Business Models*, which are all available to AICPA members. CPAs should also check with their state board of accountancy to determine whether they must comply with any state rules regarding commissions.

Review the following factors involved in setting fees:

- The firm's standard billing rates
- How fees will be charged
- The norm for services in the practice area
- An estimation of value of the services provided, the complexity of the engagement and the projected hours to be spent on the engagement.

Professional responsibilities and engagements

Standards — CPAs maintain our trusted adviser status and differentiate themselves 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.

Carefully review the following standards that apply to this area of practice:

- AICPA Code of Professional Conduct
- AICPA Statement on Standards in Personal Financial Planning Services
- AICPA Statement on Standards for Tax Services

Engagements — You should consider documenting the agreed-upon services with clients through engagement letters. Engagement letters are recommended because they document mutual understanding between the CPA and client. The standards noted above will help you determine the requirements for engagement documentation and communication with your clients.

Access planning and tax sample engagement letters to help you comply with applicable standards and serve your clients effectively.

IRC Section 7216 — Under IRC Section 7216, any person who is engaged in the business of preparing or providing services relating to the preparation of tax returns must obtain the taxpayer's written consent before the return or any information used to complete the return is used to solicit additional services. One way to seek that consent is to include the required disclosure authorization as part of the engagement letter process for tax services. As with any issues surrounding engagement letters, consult your legal adviser to ensure complete and proper wording for the engagement letter. Access the AICPA's guidance and resources on Section 7216.

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 CPA's Guide to Investment Advisory Business Models* will help you find valuable information on:

- Determining when you cross the line between providing financial planning advice "solely incidental" to your practice and providing investment advice that is not "solely incidental"
- The securities regulations to consider when providing investment services
- Selecting the right business model for your firm
- The registration and compliance entailed within that business model

It is worth noting that various areas of planning may involve no advice regarding securities whatsoever. For instance, Social Security strategies, budgeting, setting a savings target, determining needed insurance coverage, titling of assets, estate planning and debt repayment planning would not involve investment advice. Areas of financial planning that involve some level of advice regarding securities will require a careful evaluation of whether the accountant's exclusion is available and, if not, whether investment advice has been provided. The regular offering of comprehensive financial plans with investment recommendations will warrant registration. Extensive coverage of this topic can be found in *The CPA's Guide to Investment Advisory Business Models*.

High standard of care — A fiduciary has a legal duty to act solely in the best interests of the beneficiary. Although an accountant normally is not considered to be a fiduciary to his or her clients, the AICPA Code embodies standards of conduct that are closely analogous to a fiduciary relationship: objectivity, integrity, freedom from conflicts of interest and truthfulness. Accountants who provide audit services cannot be held to a fiduciary standard, given their duty to the public. 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 his or her client: (a) the accountant holds himself or herself out as an expert in an aspect of business, (b) the client places a high degree of trust and confidence in the accountant and (c) the client is heavily dependent upon the accountant's advice. An accountant who provides investment advisory services is a fiduciary to his or her advisory clients. To help you in understanding and implementing a prudent investment process, the AICPA and fi360 developed a series of guides for investment fiduciaries, including Prudent Practices for Investment Advisors available on the PFP Section website at aicpa.org/PFP.

Business development and marketing

How can you expand your practice to include planning & tax advisory services? For starters, you need to communicate to your clients your willingness and ability to engage in broader planning. Be intentional about telling clients what your service offerings are, rather than waiting for them to ask questions. Aligning your mission and vision with what your clients value most from you will set you on a path toward success and growth. Here are a few ideas on how you can effectively develop and market your business:

Form a client advisory board — Surround yourself with people you trust. Consider forming a client advisory board or group of key clients and stakeholders who can provide feedback on firm management, new initiatives before they are rolled out and more.

Build a referral network and centers of influence — The importance of networking and building relationships cannot be overstated. Having a clear statement of your value and your ideal clients will help those in your centers of influence understand who you are and how you provide value to your clients. Approaching each relationship with generosity and a willingness to help your colleagues grow their business will help you strengthen and grow your business in return.

Create a marketing plan — 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, what market the firm wants to serve and the identification of appropriate strategies for tapping into that market. Need help promoting your services? Access a variety of resources and information to assist you in your marketing and communications efforts in the AICPA's Business Development Toolkits for CPAs and CPA/PFS and the Tax Practitioner's Marketing Toolkit.

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. Access more information and resources to help you on this journey, including:

- Planning & Tax Advisory Services
- Toolkit: Impact of Tax Reform on Planning for comprehensive AICPA coverage on tax reform, the impact to planning and proactive financial and tax planning strategies
- Toolkit: Your CPA Practice and Planning for practical resources tailored to CPAs interested in expanding their service offerings
- More practice management and technical resources

Appendix
Building a planning & tax advisory business checklist

Note that you do not need to have all of these items completed prior to getting started. This is simply a list of items to consider as you add these services to your business

Overview

Task	Target date
☐ Define business structure.	
☐ Create a mission statement that will differentiate you from competitors.	
☐ Create business plan. ☐ Determine areas of practice. ☐ Determine budget to implement. ☐ Outline required resources. ☐ Review required employees and support. ☐ Outline process for each area of the practice. ☐ Identify ideal clients.	
☐ Get quality legal advice and coaching to set up key business model.	
☐ Determine service offering and whether to provide investment advice.	
☐ Choose your financial planning business model. ☐ a. Planning only with no investment advice ☐ b. Planning only with investment advice ☐ c. Planning and AUM ☐ d. Planning and product sales ☐ e. Planning, AUM and product sales	
☐ Determine third-party resources you will use such as experts in areas where you don't have expertise.	
☐ Define target market.	
☐ Determine fee structure.	

Task	Target date
☐ Assess marketplace & how you will differentiate yourself.	
☐ Consider additional staffing needs and determine who will do what.	
☐ Determine how staff will be compensated.	
☐ Determine technology and software needs such as financial planning software, CRM, etc. (consider whether custodian will provide software).	
☐ Create questionnaires, checklists and financial planning process, or work with a provider to systematize and organize the planning process, administration and delivery of your services.	
☐ Review the *Statement on Standards in Personal Financial Planning Services* to ensure compliance.	
☐ If you choose to provide investment advice as an RIA, determine whether to affiliate or create your own RIA.	
☐ If creating your own RIA, hire a compliance advisor and determine appropriate legal structure, investment model and registration & compliance requirements. Develop a culture of compliance from inception (advisory agreement, engagement letter, policies and procedures, code of ethics, disaster recovery, etc.).	
☐ Determine additional insurance needs, such as professional liability insurance.	
☐ Run trial rehearsal on yourself, friends, family or good clients. Become familiar with using your tools and processes. [TIP: meet with client to gather data, prepare the plan on your own and meet again to present the plan. **Do not** show the plan “on the fly”. Thoroughly review and familiarize yourself with the plan before showing it to clients.]	
☐ Put it all together. Have your set up ready (comfortable meeting space; computer connected to big screen; tools, education and presentation material ready; marketing materials and compliance documents ready, etc.).	
☐ Pursue additional continuing education and consider a specialized credential, such as the AICPA’s Personal Financial Specialist (CPA/PFS).	

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