

# CPA PRACTICE MANAGEMENT FORUM

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## Achieve Growth through Financial and Wealth Management Services

By *Joseph A. Tarasco, CPA*

Across the country, the traditional roles of CPA firms are changing to meet the needs and expectations of their clients and the competitive marketplace while ensuring increased growth and profitability for their firms. While these changing roles represent significant challenges, they present CPAs with the potential for significant growth for their firms and the means to revitalize their practices. Competition for clients and staff demand that today's CPA firms make significant strategic decisions to ensure the success of their practices. A firm's survival—and ultimate long-term growth—in this dynamic environment is contingent upon the services and products it offers. Tremendous opportunities exist for CPAs to expand their service offerings beyond traditional accounting and tax services into the value-added financial and wealth management services niche.

The addition of financial and wealth management services is a natural extension of existing client relationships and offers an excellent opportunity to leverage those relationships. In their desire to simplify their financial lives, most clients value having one financial advisor who can counsel them objectively on investment and insurance matters, as well as guide them with tax and financial planning strategies. Some of the advantages clients receive when their CPA acts as their "general contractor" in their business and personal financial world are:

- Due to the CPA's intimate knowledge of the client's financial world, the CPA is in an ideal position to coordinate all planning and product decisions by providing comprehen-

sive tax and financial advice and solutions. The CPA takes the lead role in the ongoing coordination among business and personal financial decisions that take place throughout a client's lifetime. For example, as family businesses grow, the need for personal tax and succession planning issues becomes more prevalent.

- The security and peace of mind that comes with the CPA acting as the client's "general contractor" or "quarterback" when working with the client's other financial professionals and advisors. With the in-depth intimate knowledge of a client's personal financial history and business background, the CPA is best positioned to assist clients in planning, managing, protecting and transferring their wealth.

As more CPA firms implement a financial and wealth management niche, firms that do not offer these services may experience one of the following scenarios:

- A client receives services from an independent third party (perhaps another CPA firm) who provides good advice and solutions. In this case, the CPA may lose control of the client or have its "trusted advisor role" diminished.
- The client receives sub-par services from an independent third party that could have been avoided if the CPA provided these essential services.

In both cases, the CPA has missed the prospect of enhancing their revenue stream and strengthening their client relationships.

### Maintain a competitive edge

Maintaining a competitive edge over tra-

ditional and non-traditional service providers will be crucial to the growth potential of CPA firms. Banks, stockbrokers, financial services companies, online tax service companies and large tax subsidiaries of public corporations may increase their volume of tax return preparation as a marketing strategy to gain more lucrative financial product sales.

As a case in point, the acquisition of RSM McGladrey by H&R Block in 1999 has led to the acquisition of American Express Tax & Business Services by RSM McGladrey. H&R Block's services include tax preparation, financial advisory and investment and mortgage products. This is a clear illustration of the competition that most CPA firms will face in the future. This type of "CPA-Financial Advisor" combination will prove to be the greatest threat to CPA firms that do not offer financial services.

### Benefits to CPA firms

Growing a practice through a financial and wealth management services niche affords numerous benefits to CPA firms:

- In addition to the tremendous potential for top-line growth, the bottom-line growth is equally significant.
- Further securing trusted client relationships by providing higher value and problem resolution services.
- With staff shortages reaching crisis proportions, this niche allows CPA firms to provide additional services without the fear of inadequate staff service capacity.
- Immediate access to an existing market through the firm's current client base.
- A much easier niche to brand and

market than most compliance-type services.

- The nature of the services and the type of clientele make this niche somewhat recession-proof.
- These services can be provided outside of busy periods.
- These services demand value billing rates.
- Due to the lucrative nature of the niche, it will allow firms to fund partner retirements and create more value for their firms in the event of a future sale.

## New client development

The opportunities for new client development, above and beyond a CPA firm's client base, are extremely favorable in the near future due to the aging of the baby-boomer generation. Significant planning and product implementation opportunities will increase as the baby-boomer peak earning years come to an end and as sales of family businesses, inheritances and exercising stock options become a large part of their financial lives. It has been reported that approximately 12 million baby boomers will be nearing retirement age in the next 15 years. It could be concluded then, even in a declining marketplace for traditional accounting and tax services, the demand for financial advisory services will increase. This marketplace presents significant growth opportunities for firms that structure their practices to meet future client demands.

## Structuring

Structuring financial and wealth management services in your firm is a key component to its success and future growth. In selecting and structuring the appropriate business model for your firm, the following considerations should be taken into account and evaluated:

- the types of financial planning and tax advisory services, including estate planning, currently offered;
- the firm's existing clientele and proximity to wealthy and affluent individuals;
- the current financial service expertise of partners and managers;

- types of financial service products to be offered and the required licenses to be attained;
- the type of strategic alliance to be undertaken with third-party financial service providers; and
- the compensation structure for partners and managers, in relation to product sales.

## Marketing and public relations

Another essential component of a successful financial and wealth management service niche is a strategic marketing and public relations plan to promote and brand these services. Branding financial and wealth management services as a specialty will promote the firm's individual component services and the advantages of conducting business with the firm.

The marketing and public relations plan for wealth management services should include the following elements:

- increasing name awareness and recognition as personal financial advisors and wealth management specialists, above and beyond the traditional services offered;
- creating a cross-selling plan for each of the partners to identify additional service opportunities with existing clients;
- fostering quality relationships with referral sources, especially estate planning, tax and matrimonial law attorneys and bankers; and
- differentiating the firm from its competitors by promoting the broad array of financial consulting, advisory and financial products being offered.

The firm's plan should contain a variety of marketing and promotional tools, including:

- seminars and roundtables for existing clients, prospects and referral sources;
- published articles, advertisements, speaking engagements and press releases;
- a dedicated website for financial and wealth management services;
- newsletters, e-publications and niche

promotional announcements;

- printed and online brochures and sales sheets;
- direct mail letters; and
- sponsorships and special events.

## Summary

You may have heard the saying, "The future is not what it used to be." Traditional methods of growing CPA firm practices may not be successful in the future. The increased complexity of client demands, together with the shortage of CPAs who have the advisory skills necessary to properly service clients' needs, is creating a huge dilemma in the profession.

Firms that are in the business of selling audits and tax returns, versus being in the business of helping clients achieve their business and personal financial goals and objectives, may experience fee pressures in the future. Fees from traditional compliance services will possibly come under pressure as outsourcing and related technology become more sophisticated, user-friendly and less expensive.

The transition from a "high volume compliance mode" to an "advisory and problem resolution mode" is essential for CPAs to retain their "trusted advisor" status with clients. Developing and maintaining this enhanced role includes offering clients more non-traditional services, such as financial and wealth management services. This is a natural extension of the trusted and personal attention that clients expect from their CPA professionals.

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### ABOUT THE AUTHOR:

**Joseph A. Tarasco, CPA, is the founder of Accountants Advisory Group, a strategic consulting firm that incorporates state-of-the-art practice management, marketing and human capital strategies to assist CPA firms in achieving long-term success and profitability. He can be reached at (845) 265-9046 or at Joe@AccountantsAdvisory.com, [www.AccountantsAdvisory.com](http://www.AccountantsAdvisory.com).** †