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Tax and Financial Planning

In crisis, opportunity: Tax clients need PFP advice

BY ROGER RUSSELL

The economic turmoil of the past year presents a unique opportunity for accountants to broaden their practices to include financial planning.

“Now more than ever, people need the advice of professional planners,” said Roger Ochs, chief executive of broker/dealer H.D. Vest Financial Services. “People’s portfolios are down 30 percent or more, and many of our clients are not finding advice outside of their tax professionals.”

“Wirehouse brokers focus on high-end clients, while most of our clientele fit into the \$100,000-to-\$1 million asset category. They need advice, and if they’re not getting it from their tax professional, where are they getting it?”

“We see a natural transition for CPAs that have a trusted relationship with their clients,” he said. “They not only know a lot about taxes, they know the people they deal with. When they meet year in and year out, their clients share family information as well as tax information, so when it comes time for the client to think about saving money for college, or a retirement plan, the CPA is a natural for providing that information.”

Rod Clarida, a Brea, Calif.-based CPA



Roger Ochs

and financial planner, also believes that current economic conditions produce openings for CPAs to add to their client base. “A down market produces a lot of stress on clients and on the planner, but it also creates opportunities,” he said. “We’ll have a lot of new clients coming in at tax time. There’s not much we can do about the past, but we can fix things for them going forward.”

“We’ve had multiple phone calls from clients who are in guaranteed annuities, thanking us that they’re able to sleep at night,” he noted.

“A lot of folks are unhappy with their current advisors, justified or not, and will be open to the idea of changing advisors and going in a new direction,” said marketing expert Mark Merenda, president of Naples, Fla.-based Smart Marketing. “Accountants are generally seen as cautious, conservative, prudent and careful with their clients’ money. That’s a perfect prescription during times of financial turmoil. I hear clients saying their financial advisors had them put everything into the stock market ... and now they’ve lost 30 percent of their investment. It’s hard to

imagine any accountant telling a client to put everything into the stock market.”

ELECTIVE SURGERY

Merenda said that financial planning is a natural extension of the work that CPAs already do for their clients. “Most lawyers and financial advisors would kill to have the advantage they feel CPAs have,” he said. “People make a choice to use their services, but they have no choice about doing tax work. They have to do it every tax season.”

“Take estate planning,” he said. “It’s the equivalent of elective surgery. You know you should do it, but you don’t have to do it this year. You can put it off, and if you’re stupid you can even not do it at all. But the tax work CPAs do has to be done every year, which means interaction with clients, and that means opportunity. Advisors in other fields are very envious of that.”

Merenda noted the axiom that when other people are being greedy, be fearful, and when other people are being fearful, be greedy. “You buy when stock prices are depressed, when you know they’ll go up with the business cycle. The same can be said about market share for accountants. Do your marketing and swoop up new

accounts that are unhappy with their current advice.”

“So be a contrarian,” he advised. “This is a perfect time to go for it. The fear of loss is a huge driver, and there are a lot of bruised people out there who are hurting from their losses.”

Doris Merrick, CPA, Esq., tax director at Madison, N.J.-based Brinton Eaton Wealth Advisors, has been performing financial planning and tax work for a long time, and said that the two complement each other. “It’s difficult to do planning without a firm idea of how it will show up on someone’s tax return, just as it’s difficult to do proper tax preparation without knowing how the planning was supposed to work,” she said.

“For example,” she noted, “we look at the existing documents when we do an estate planning review. The attorney at the time the documents were drafted may not have known what the assets were and how the ownership was held. If assets are held jointly, the plan may be moot because the assets won’t be controlled by the will.”

“We continue to prepare returns as a service to our clients, because that way we see what assets there are and what planning opportunities are available,” she said. “In addition to tax savings and financial growth, we help them avoid unintended consequences.”

It’s important that the prospective

financial planner takes the time to learn all the aspects of the business, said Jonathan Wittlin, CPA, CFA, vice president and portfolio manager for financial planning at New York-based Lenox Advisors. “Even then, you can’t do it all on your own. There’s too much to know. It’s not realistic to have that breadth of knowledge across tax, trusts, investments, insurance strategies, etc. Our goal is to bring everything necessary to the table to act for the client.”

The downturn has made conversations with clients more frequent and more uncomfortable, said Wittlin. “A lot of them want to cash out of their investments, but for most people this is not a good idea. I tell them it’s not really a loss until you sell. If you monitor asset allocation and make little tweaks, things will improve in the long run.”

DON’T HOLD BACK!

Many CPAs fail to understand their role and hold back from financial planning, according to Martin M. Shenkman, a Paramus, N.J., and New York-based CPA and attorney.

“Many CPAs, especially solo and small-firm CPAs we work with, don’t make this transition and they should,” he said. “My experience is that many don’t view themselves as financial planners, but I believe they misunderstand their role and also underestimate their knowledge. A CPA can

be an active part of the client’s financial planning efforts without having special financial planning expertise by working with the client’s other financial advisors.”

Part of the hesitation comes from viewing financial planning as strictly selling a product, he noted. “They can sell products, but they can also continue in their more traditional role as an advisor and make a great contribution,” he said. “First, as a trusted advisor, they can bill for their time and be a source of integrity and ethics in the planning. So often we see totally inappropriate investment, insurance and other products being sold to clients. CPAs, even if they view themselves as weak in financial planning, have plenty of business knowledge to ask the right questions and prevent the hucksters from taking advantage of their client.”

Shenkman advised prospective planners to stick to what they know. “There is a lot of very valuable help every CPA can provide merely by doing the basics and being an intelligent, objective sounding board for whatever other planners are proposing,” he said.

“I think most CPAs are missing out on considerable business opportunities,” he said. “We try to get every client’s CPA to come to their estate planning meetings, and it is astounding how many resist, instead of aggressively insisting on being involved as a key advisor.” **AT**



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