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a partnership for 18 years. I spent a lot of my time dragging my other partners ...

Craig Smalley • Sep. 26, 2017

I pride myself on being ahead of the curve in this business. Accounting is such a conservative profession, and there is a lot of resistance to change. I was a partner in a partnership for 18 years. I spent a lot of my time dragging my other partners kicking and screaming into the 21st century. I made them go paperless in 2005, and I stopped the practice of sending letters to advertise and moved all of our advertising efforts online. Being the youngest partner in the firm, I wanted to be on the cutting edge.

When I worked for the partnership, I would kill myself during tax season. The average price for a corporate return was \$650. I would put in a lot of hours, doing a ton of work, and making a certain amount of money. We also did monthly accounting work and charged a very low fee, not to mention all of the nonbillable work that I did in a day. The clients who we attracted didn't respect what we did, were price shoppers, and I didn't care to deal with them.

When I went on my own, I decided I would triple the fee that the partnership charged. I justified it by thinking that I would lose clients, but the money that I would make per return, for accounting and everything else, would be the same as if I killed myself to make it.

As it turned out, I lost about 60% of my client base, which was fine with me. The clients who I lost didn't have any respect for what I did. They thought that all accountants were the same, and they wanted to pay the least amount of money and receive the best service possible.

When I first went on my own, money was tight. I had to do everything myself, from scheduling appointments, to bookkeeping, to answering IRS notices – you name it, I did it. The clients who I lost were replaced pretty quickly by clients who not only

respected what I could do for them, but they were willing to pay what I was charging

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paying someone an hourly wage.

I next turned to outsourcing the work to Americans. I worked out a deal with the people who worked for me: I would pay them a percentage of billing. I went through four outsourced bookkeepers before I realized I needed to have these people in the office with me in case there were questions or I had to show them something.

I just fired the last person who was outsourcing for me because I decided to bring everything in-house. I have an intern who I am teaching, and I just hired a staff accountant who started this week. The amount I pay them is still a commission on the work that is being done, so I'm not paying someone for downtime. In an accounting firm, payroll should be 20% of income. I pay my staff 15% of billing. If they are good, they have the potential of making \$30 an hour. If outsourcing works for someone else, more power to them, but for how our business is set up, it didn't work for me.

Cutting Software Costs

I spend a lot of money on software. My tax software used to be Lacerte. Lacerte is great, but it is so expensive. If you have ever changed software, you know what a hassle it is. Not only did Lacerte charge an arm and a leg, but if you didn't pay for a portion of the program, you had to pay per return. I paid \$6,000 for Lacerte, but what was happening was I was receiving a bill each month from them charging me anywhere from \$1,500 to \$2,000 a month for using a part of the software that I didn't purchase.

At the tail end of tax season last year, I decided that I had to do something else. When all was said and done, after all of the hidden fees, I was paying Lacerte \$11,000 a year.

At the same time that I was looking for a new tax program, I began discussing things with my representative at QuickBooks. They explained wholesale pricing and how I

could mark it up, and my clients would still receive a discount. They explained that I

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would be hounded by some clients to get their changes back immediately because they had to do something to their file that required them to make changes before the closing date. This put undue pressure on me and my staff. Every new client who I signed up was using QBO, so why couldn't my other clients use it?

I then sent out an email stating that by this date, everyone had to move to QBO. I explained to the clients that we could link bank accounts and credit cards, and we would be able to access their information in real time. The subscription would cost them less because I was giving them a 20% discount over what QBO normally charged.

When I was taking on that feat, I ran across Intuit's ProConnect tax software. You could transfer information from QBO to ProConnect, and it cut down on data entry. Then I learned that ProConnect was built on the Lacerte platform. While some things would be a little different, overall there wouldn't be much of a learning curve for me. I decided to try ProConnect on the extensions that I filed for 2016. I love ProConnect, and they don't nickel and dime you. Exchanging information with clients was never easier, not to mention that it talked to QBO. The best part about ProConnect is that it costs a fraction of Lacerte, and there are *no* hidden fees.

The thing I like most about ProConnect is that it is cloud-based. QBO is cloud-based, and we use Office 365, which also is cloud-based. I am currently paying an IT company \$370 a month to back up my server and do maintenance. Because we travel a lot, having cloud-based software is perfect for us. Eventually, we won't need the IT company anymore because servers are going to be a thing of the past.

Building Better Billing

Now onto billing. Here is what I do with a new client. They make an appointment, but before the appointment, I ask them to send me their last three years' tax returns

for both business and personal. I review the returns and meet with the client. I ask

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money back.

Then I list what it costs to do the tax returns – both business and personal. I explain to the client that there are no extra fees unless, for example, they get audited or receive an IRS notice that isn't my fault. My client acquisition cost is \$750, which is my hourly rate for meeting with the client, analyzing the previous tax returns, giving them specific tax advice, and speaking with them again after they receive my analysis and proposal. It's a lot of work, but my conversion rate is about 70%.

The point that I am trying to make is, I set out to be different than the other accountants out there. What I have learned is that some people get it, and others just don't. I'm not saying that I am right with the way I do things, and honestly, losing 60% of your client base is a very scary thing. However, I believed in what I was doing, and I was blessed because the clients who I lost freed up my time to work with clients who are willing to pay me. And I'm not cheap.

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