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ADVISORY

What Amazon Can Teach Tax Professionals about Adding Financial Planning Services

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Bob Oros • May. 01, 2018



In less than 20 years, Amazon has gone from being an online bookseller to the fourth-most valuable company in the world for one simple reason—they make things easy for the customer. Talk about one-stop shopping. Whether a customer wants to buy patio furniture, detergent or the latest movie, they only have to log on to one site. And with Prime, shipping is always free.

The convenience and all-in-one experience that your clients get from Amazon has come to be their new expectation in other facets of their lives, including their finances. More and more clients are looking for a single solution for all of their financial needs—investments, financial planning, and tax preparation—but they still want a human touch that no robo-advisor can provide. And no one is better positioned to provide that experience than the tax professional.

While the prospect may be frightening, transitioning your CPA practice into a holistic wealth management firm can be easier than it sounds and it does a lot more than just simplify things for your clients. It's also a sound business strategy that can increase client retention while also offering tremendous potential for growth. Independent tax professionals working with our firm have reported that adding financial planning to their service offering resulted in more referrals, better client

retention and overall higher revenue. Even more importantly, adding financial planning services had no impact on their billable rate for tax work, further demonstrating how the combination of tax management and financial planning makes an attractive value-add for clients.

In a survey of HD Vest advisors and prospects conducted by Ipsos, the global research firm, a majority of advisors offering both tax and financial planning services reported significantly higher retention and referral rates among their clients, and three out of four believe the combination of services has had a positive impact on their clients' satisfaction.

As every American realizes during tax season year after year, there are few documents as personal as the tax return. The fact that your clients are willing to share all it contains with you demonstrates a level of trust that is difficult for the average stockbroker or wirehouse rep who's just looking to sell a financial product. That intimate knowledge of every aspect of a client's financial life puts a tax professional that also offers financial planning in an ideal position to offer advice on tax strategies and investment solutions uniquely suited to that individual's situation. From there the advisor and the client can work together to construct a realistic roadmap for reaching long-term financial goals, whether they include retiring to the Caribbean, playing golf every day or setting up an educational trust for their grandchildren.

Although they may not think of it in these terms, many tax professionals are already offering additional financial services, such as help with retirement or estate planning. Tax pros we surveyed who have expanded their offerings reported that on average that about one-third of their clients utilize them for financial services as well as taxes.

Even those tax professionals who say they offer no financial or investment services are doing more than tax preparation. More than three-quarters say they are already offering tax planning, accounting and general finance services to their existing clients. And almost half also provide business consulting, planning and financing advice.

Many financial decisions, from setting up a 401(k) savings account to purchasing a home, carries tax implications over the short and long terms that many financial advisors may not consider. Tax professionals who are also financial planners can work with clients to ensure that everything from IRAs to life insurance plans are managed in ways that generate the greatest amount of tax savings. Any money that's

not paid in taxes gives the client that much more toward reaching their long-term goal.

By assessing the potential impact of investing and wealth planning decisions from a tax perspective, tax professionals can add significant value by helping clients make “tax-smart” decisions that can improve their overall long-term financial health.

Although expanding a CPA or tax preparation business into a financial planning and wealth management enterprise may sound daunting, there are numerous technology platforms and partner firms to help you on your way. You can harness technology to implement tax-loss harvesting and other tactics for maximizing alpha. Software can be used to import data from tax-return forms into financial planning programs, enabling tax professionals to assess the client’s entire financial universe at a glance so they can craft a financial plan that makes the client’s long-time dreams a tangible reality.

Infusing financial planning into your tax preparation business can empower you to transform your CPA practice into a one-stop-shop. It will improve your revenue stream all year long, instead of just at tax time.

Bob Oros is the CEO of HD Vest Financial Services®, managing the day-to-day operations, overseeing employees and directing the future growth success of the firm and its advisors. Mr. Oros has more than 20 years of sales and operational experience and has served in leadership roles at leading brokerage and investment advisory firms where he had a strong track record of successfully recruiting, retaining, and serving advisors.

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