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CPA Financial Planners Helped Clients Prepare for Economic Uncertainty

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The COVID-19 pandemic's initial impact on the U.S. economy caused extraordinary stock market volatility and tens of millions of job losses, prompting emergency federal programs to mitigate the damage. During this time, CPA financial planners were on the financial frontlines, speaking with their clients early and often, reducing their anxiety by making them feel more comfortable that their financial plan would allow them to weather the pandemic.

As a result, the majority (70 percent) of their clients didn't require changes to their financial plans and for those who did, the changes were mostly minor. These are among the result of the latest AICPA Personal Financial Planning (PFP) Trends survey of 870 CPA financial planners, fielded from May 5-26, 2020.

New legislation creates opportunities

For their clients who own small businesses, CPA financial planners helped make sense of the provisions in the newly passed Coronavirus Aid, Relief and Economic Security (CARES) Act. The vast majority of financial planners (90 percent) advised clients on Paycheck Protection Program (PPP) loans, with 66 percent providing guidance on other small business loans made available through the CARES Act.

The CARES Act also contains new programs to assist individual Americans which CPA financial planners helped their clients understand and utilize. Nearly eight-in-ten (79 percent) advised their clients on Economic Impact Payments – also known as "stimulus checks." And with nearly 39 million Americans having filed for unemployment by the time the survey closed, half of all respondents (50 percent) indicated that they had helped clients file for Federal Pandemic Unemployment Compensation.

As a result of COVID-19, virtually all tax filing and payment deadlines were pushed back until July 15– which the AICPA advocated for aggressively. more than three-fourths (79 percent) of CPA financial planners advised their clients on opportunities created by these extended deadlines.

"CPA financial planners were quick to analyze new legislation and help their clients take advantage of the opportunities available," Andrea Millar, CPA/PFS, director of personal financial planning, Association of International Certified Professional Accountants. "Taking a holistic approach to financial planning, built around their tax expertise, makes CPA financial planners extremely well-suited to help clients navigate these challenging times."

Boosting confidence and reducing financial anxiety

Communication is key in the financial planning process – particularly during times of uncertainty. Through early conversations, financial planners helped boost their client's confidence in their financial plans. When asked, a little more than three-fourths (76 percent) of CPA financial planners said they were speaking with their clients about the impact of COVID-19 on their personal finances by the middle of March, with more than four-in-ten (42 percent) saying they had their first COVID-related conversations with their clients by the end of February.

During the pandemic, three-in-four (75 percent) CPA financial planners have been talking with their clients more regularly, including 45 percent who reported significantly higher frequency of contact than normal. These conversations largely helped ease their client's anxiety by making them more comfortable with their financial situation.

The survey found that some 80 percent of respondents felt their clients had a higher level of stress about their financial plan than normal. Of those with clients with elevated stress levels, 62 percent of them felt increased confidence in their financial situation after speaking with their CPA. In addition, the 22 percent of clients who had normal levels of concern experienced increased confidence in their financial situation after their first conversation with their CPA.

"The benefit of the proactive planning process is that through speaking with clients regularly you establish trust while gaining a strong understanding of their long-term goals and risk tolerance," said Dave Stolz, CPA/PFS, chair of AICPA's PFS Credential Committee. "That's why we see that clients largely left conversations with their CPA financial planners feeling more confident in their plans. And for most clients, there was already an effective plan in place that only required minor tweaks, if any, rather than wholesale changes."

Proactive planning keeps COVID-19 changes minor

Nearly all financial planners (97 percent) reported making changes to at least one client's financial plan. Of those on aggregate 3-in-10 clients (30 percent) required changes to their plans. And the majority of those were minor changes (77 percent), compared with only 23 percent that were substantial.

Of the changes CPA financial planners made to their client's plans, the below were the most frequently cited:

- Investment allocation (62 percent)

- Spending decisions (59 percent)
- Tax strategy (43 percent)
- Retirement account (Roth, IRA, qualified plans) (41 percent)
- Retirement income drawdown (33 percent)
- Debt management (32 percent)
- Estate planning (20 percent)
- Healthcare decisions (12 percent)

Portfolio decisions during COVID-19 market uncertainty

When asked specifically what changes *they* or their clients have done with their investment portfolios during the pandemic, CPA financial planners cited rebalancing their portfolios (57 percent) most frequently. Purchasing or increasing stake in equities (40 percent) was more popular than selling or reducing stake in equities (31 percent). Nearly four-in-ten (39 percent) CPA financial planners took advantage of a down market to do tax loss harvesting, with more than one-in-three (35 percent) seeing an opportunity for Roth conversions. Forty-one percent cited making no changes to investments.

“For some clients, a decline in the market represented an opportunity to buy equities. And for others it was the ideal time to reduce their tax liability by converting regular IRAs to Roth IRAs,” added Stolz. “The survey results underscore that, even in the midst of a pandemic, there is no ‘one size fits all’ approach to financial planning. A specific plan that accounts for a client’s unique personal financial situation, long-term goals and risk tolerance provides a solid foundation to weather even the most extreme financial situations.”

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