can better define them for your clients to create additional revenue streams.

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By Al-Nesha Jones, CPA, MBA.

'Tis the season! While chestnuts crackle and we gear up for the annual tax preparation season, it becomes clear that the winter holidays bring more than just festivities and time off; they also mark the beginning of the tax preparation *party*. But before we put away the leftovers and really shift into holiday mode, let's explore the nuanced seasons of taxation.

Tax preparation has its spotlight, tax planning follows a rhythmic beat ... and tax advisory? Well, that's a year-round task, not really bothered by the changing seasons. It's ever-present in the financial journey.

meeting typically gets the job done, but if there are major financial events that shift the plan, a follow-up meeting is ideal.

Tax advisory tends to be much more frequent. In our firm, we meet with advisory clients at least four times per year, strategically around the estimated tax payment due dates. This is an ongoing activity because it covers so much more, including answering difficult questions for the clients in real time, helping them to understand the tax implications of their decisions, and serving as a source of continuous guidance.

Scope

How does the scope between tax planning and tax advisory differ?

Tax planning: During tax planning meetings, the focus is usually on eliminating tax prep season surprises by discussing anticipated income and life changes, and estimating future tax liabilities.

Tax advisory: The conversation subtly shifts from focusing on tax liabilities to tax savings and the initiatives that are important to the client. These could, for example, include saving for retirement, preparing kids to go to college, and building wealth. Instead of solely planning for the tax bill, we're looking at the whole picture. How do we use specific strategies to get you further along in your goals? What tax savings come along with our proactive strategy sessions?

Proactivity

Tax planning is proactive. It's planning for the future; just in a limited fashion. Tax planning tends to be focused on the next one to three years, and the priority is to minimize a client's tax liability.

Tax advisory is hyper-proactive! Yes, we want to save on taxes in the upcoming year,

Education and focus

Tax planning's primary focus is on minimizing taxes and tax season surprises. Since the cadence is typically less frequent than tax advisory, there is less emphasis on educating the client. The guidance is typically centered on optimizing tax outcomes within the current tax environment.

Tax advisory is all about empowering the client to make the best possible financial decisions. Equipping the client with data, and ensuring they understand the big picture, is what makes tax advisory sparkle. It's taking the focus solely off of shrinking the tax bill to create proactive conservations where the client begins to say, "Let me talk to my accountant first." They begin to make the connection between decision making and data, and start to understand that making decisions before mobilizing the data can be costly in a number of ways.

The differences empower you and your clients

In essence, tax planning and tax advisory are integral components of effective financial management, each serving distinct purposes. When you better understand the role they play in creating a harmonious tax cycle for your firm and your clients, you can plan and price more appropriately.

While tax planning strategically minimizes tax liabilities, penalties, and surprises through careful arrangement of financial activities, tax advisory offers holistic, ongoing guidance encompassing a host of financial considerations. Recognizing the differences between these two offerings empowers individuals and businesses to leverage them harmoniously, ensuring a comprehensive and proactive approach to financial success for your clients and your firm.

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