

So You Want to Start a Financial Planning Practice?

It seems like yesterday, but it was 30 years ago that I began my professional career working for a small accounting firm. One of my first clients was a young man who was trying to establish a trucking company. What impressed me was his conscious effort to segregate yet simultaneously grow both his business and personal finances.



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We would periodically meet early in the morning, before he began his deliveries, to review financial statements and cash-flow information, objectives and strategies to meet his goals. My firm's partners frowned upon these meetings, suggesting that I was providing a non-billable or unprofitable client service.

The partners' stance surprised me. Financial statement analysis, budgeting, business planning and cash management were standard services provided to business owners. Individuals who manage their business affairs have many of the same needs and are willing to pay for competent advice.

The value-added benefit of receiving such advice was recognized by my client then; 30 years later, it is recognized by a majority of consumers. Financial planning has become one of the fastest growing career opportunities, with the Certified Financial Planner (CFP®), Personal Financial Specialist (PFS) or Chartered Financial Consultant

designations now all recognized and accepted by the public.

Opportunities

While some CPAs have incorporated financial planning services into their existing practices, recent information indicates that only 14 percent of CPAs are also CFPs. Yet practice management and marketing articles are flooded with recommendations that the key for building a successful planning or advisory practice is to create strong relationships with CPA firms.

But if financial planning professionals are so focused on developing strategic alliances with CPAs, then why are so many CPAs still reluctant to commit resources for establishing or adding financial planning to their practices?

Getting Started

The American Institute of CPA's website (www.aicpa.org) offers a *Guide to Developing and Managing a CPA Personal Financial Planning Practice*. It suggests that financial planning is a natural fit for CPAs, eventually allowing them to become key players in the financial planning industry.

Despite recently well-publicized issues, CPAs still earn high marks for being their clients' most trusted business advisor. The AICPA guide's section on "The Need for CPAs As Financial Planners" states, "Research indicates that people are looking for one-stop financial planning and want



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it from independent and objective professionals.” Clients recognize they need help and are asking for it, and CPAs are learning that if they fail to provide services to address these needs, they risk losing clients.

A recent issue of Pershing Advisor Solution’s *Practice Point* included an article about partnering with CPAs which stated, “The complexity of the planning process requires the comprehensive information accountants already possess, allowing the accountant more scope to give advice or suggest alternative providers.”

Getting Started as a Financial Planner, a terrific book by Jeffrey Rattiner, CPA, CFP, makes the point that financial planning is a service. It is a “process of determining whether and how an individual can meet life goals through proper management of financial resources.” It includes the development and subsequent monitoring of the implementation action steps required for achieving targeted objectives.

Stigmas?

There is a major distinction between offering a financial planning service and giving investment advice. Many CPAs do not want to become involved with selling a product and are concerned

about market risks inherent in investment advisory or management activities. That does not preclude them, however, from becoming or partnering with a financial planner to service their clients.

CPAs have long been the quarterback for guiding clients’ financial or business matters. They have routinely referred their clients to bankers, attorneys or other professionals required for executing an action plan. By becoming their clients’ financial planner, the CPA can retain that quarterback status. It will be your decision when you want to carry the ball versus when you want to hand off responsibilities to another specialist.

The Plan

There are six specific parts to creating a comprehensive financial plan:

- Data gathering with budgets and cash-flow analysis
- Investment portfolio planning
- Tax planning
- Risk management or insurance analysis
- Retirement planning
- Estate planning

Whether helping to prepare a personal financial statement for a bank and a multi-year tax projection or recommending the funding of a qualified retirement plan and the creation of

testamentary credit shelter trusts, a CPA is probably already providing some of these services. Formalizing the marketing and delivery of these services is a natural evolution for a CPA practice.

Considerations

Before expanding into financial planning, one does have to recognize the risks and special issues that may be specific to financial planning. There are increasing compliance and regulatory requirements that must be followed. Additional computer hardware and software will probably need to be purchased, and new staff may need to be hired.

Deciding on what fees to charge is extremely important. Even if you decide not to earn commissions on the sale of a product or security, you may have to get insurance or securities licensing merely for giving advice. And new continuing education requirements may need to be satisfied for each additional license obtained.

There is no one correct business model for offering financial planning services. You can operate as a fee-only planner, an independent registered investment advisor (RIA) or as a representative of a broker-dealer. The number of resources you wish to commit or administrative responsibilities you want to outsource will determine the appropriate business model for your firm.

Financial planning is personally and professionally challenging as well as rewarding. I am a professional who works as a team player to have a positive impact on my clients’ financial futures. As my friend, Bernie Kiely, CPA, says, “A bad day of financial planning is always better than a good day of accounting.”

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