The Past, Present and Future of the CPA Financial Planning Profession

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Agenda

- Trends worth noting
- Brief history of CPA financial planning profession
- Retirement planning: probably the most important area for your clients
- Successful business models for the CPA financial planner
- Overcoming challenges
- Tax practice of the future
- Standards
- The next generation
- The future
Trends

Integrated Planning

- Tax compliance – a commodity?
- Investment management - a commodity?
- Consumers seeking objective advice (fiduciary approach)
Growth

- 32% growth in need for advisors*
- PFP projected to grow 2x faster than accounting profession**
- Tax complexities that CPAs understand
- 10k baby boomers per day turning age 65 for the next 17 years and need guidance^  

*U.S. Bureau of Labor Statistics  
**IBISWorld 2012 and Deloitte  
^Pew Research Center 2010
Other Trends

- **Wealth Management Business**
  - The definition of wealth management
  - Not selling investment returns
  - Focus on client goals/putting clients first
  - Wealth management imposters
Defining “True” Wealth Management

\[
\text{WM} = \text{IC} + \text{RM} + \text{AP}
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<th>Wealth Management</th>
<th>Investment Consulting</th>
<th>Relationship Management</th>
<th>Advanced Planning</th>
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VS.

Client

Investment Consulting

Investment Consulting

Client

Relationship Management

Advanced Planning
History of the CPA financial planning profession

► AICPA PFP Division
  • Created in 1986
  • PFS credential added in 1987 (the first specialty credential in the CPA profession)
  • Statements on Responsibilities in Personal Financial Planning issued between 1992 and 1996
    - Evolved to today’s Statement on Standards in Personal Financial Planning Services

► Growth of the CPA financial planning profession
Focus on retirement planning

- Demographic trends
- Bridging the gap between tax and investments
- Thought leadership panel
- The art and science of retirement planning
  - Incorporating the human element
  - Understanding simulation techniques
  - Investment concepts
  - Updating and fine tuning cash flow needs
  - Creating a safe withdrawal strategy
  - Strategies to mitigate various risks
  - Social security strategies
  - Health issues
  - Integrating with clients goals and other planning areas
Successful business models for CPAs

► Type of clientele
  • Clients with complexities
  • Clients in transition – divorce, death of a spouse, retirement, parents/children’s issues
  • Liquidity event
  • Corporate executives

► How investment advice is delivered
  • Advice only
  • Advice with management of assets
  • Advice with management of assets and product sales

► How insurance advice is delivered
Overcoming challenges

▶ The economics
▶ How to convert tax clients into PFP clients
▶ The psychological side of providing these services
▶ Seamless integration of the CPA and RIA sides of the business
▶ How to manage resource needs, including staffing and outside experts
▶ Getting the right champion
▶ Communicating value to clients
  • CPAs have a tendency to unnecessarily overcomplicate
▶ Overcoming objections to expanded services
  • Investments, insurance
Economic Benefit of Providing PFP Services

From a recent survey of over 1,200 CPAs providing PFP services

- PFP services offered by CPAs is not new and they complement, not compete with, traditional services
- Higher client profitability and engagement
- Increased client attraction and retention
- Broad range of services is important - not just wealth management
- Largest financial impacts?
Tax practice of the future

- Tax preparation is becoming a commodity
- Importance of tax planning in light of ATRA and NIIT
- Resources:
  - Updated Tax to PFP checklist
  - Personal Finance Report Card
  - Personal Financial Outlook
    - Find these resources at aicpa.org/pfp/pathway
  - Planning Post ATRA and NIIT
    - Find this toolkit at aicpa.org/pfp/proactiveplanning
AICPA PFP Standards

► CPAs are part of a regulated profession

► AICPA Code of Professional Conduct:
  • Competency
  • Objectivity
  • Integrity
  • Disclosures of potential conflicts
  • Privacy and confidentiality

► Why AICPA PFP Standards?
  • Clarity on how to apply CPA professional responsibilities to personal financial planning
  • Protection of clients and firm
  • Learn more at aicpa.org/pfp/standards
The Next Generation

- How to attract the next generation of CPA financial planners?
- Succession planning – from the client’s, CPA’s, and other perspectives
- Millennials creating a different dynamic with their advisors
AICPA PFP Division “Why’s”

- Position AICPA, CPA financial planners and CPA/PFS as thought leaders in PFP
- Serve as a key resource to firms and staff
- Develop the next generation of CPA financial planners
Questions?

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