



**Neal
Frankle**

Offering Financial Services to Clients?

Four business models revealed.

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by Neal Frankle, CFP

* DISCLOSURE: Readers should assume that all financial advice in this column is the author's. The views expressed in this article do not necessarily reflect the views of the AICPA or the Wealth Management Insider.

Over the past several months I've written about how CPAs can successfully offer financial services to clients. First I indicated the [pros and cons of this offering](#). Then I revealed the [two critical factors](#) that can mean the difference between success and failure in this endeavor.

Now let's look at the various models CPAs can use to enter the financial advisory business.

1. Buying a Financial Service Practice

The first model we need to explore is that of buying an existing financial services practice and incorporating it into your CPA practice. There are many benefits to choosing this route. First, you can execute the plan in a relatively short period of time. This also allows you to leverage the existing clients of both firms (i.e., your clients can now also become investment clients, while investment clients of the acquired firm can become tax clients).

However, this strategy can also be very expensive. It costs a lot of money to buy an investment firm. Often, a financial advisory firm sells for two times gross revenue. Also, if you take this path, you assume all the risks associated with the investment firm and the new services you will offer to your existing CPA clients. If you haven't taken steps to become an expert in the field of investments, this could hurt you tremendously.

2. Building a Financial Service Practice

As an alternative, you could build a financial services practice from scratch. This is a much less expensive than buying an existing practice and it will enable you to leverage your existing clients and maintain control over your relationships with your clients.

However, this option requires you to commit a significant amount of time and may require you to invest in additional expertise and expanded infrastructure — this is assuming that most *Wealth Management Insider* readers are experts in the accounting field, and *not* the investment field. Distractions may keep you from delivering your core competencies to your clients and that could mean you lose tax clients rather than gain investment clients. Also, this path keeps all the risk inherent in the investment business squarely on your shoulders.

3. Partnering With an Existing Firm

This is often the preferred route for CPAs entering into the investment services business. The reasons are

clear:

- It doesn't require a large commitment of resources
- It doesn't require you to expand your payroll or infrastructure
- It keeps you in control of your clients and the level of service delivered
- It allows you to expand and leverage your existing client base, and
- It allows you to share the risk with your partner

As good as this sounds, the partnering strategy is not without its downsides. First, it *does* require a very close philosophical, cultural and professional match between you and your partner. It will take time to find the right partner.

4. Implementing a Referral Program

This is a very easy option. It takes little time and no investment on your part. But there are a number of downsides to the referral path. First, there is the potential risk of losing your clients. You don't really control the service offering or the relationship. It may be difficult to build a referral business that generates revenue for your firm.

Now that you are familiar with the most common business models used today, how do you decide which is right for you? You have to ask yourself a number of questions before you can answer that.

Questions to Mull Over

First, ask yourself which model will provide your clients with the highest quality investment experience. Do you have the expertise on your existing staff to provide excellent investment management? Will market downturns impact your relationship with your clients?

Next, consider which model will provide your clients with the greatest probability of achieving their financial dreams? Keep in mind that clients hire investment managers to help them achieve their financial goals — not to sell them investments. Make sure you enter this business with the greatest access to financial tools to solve your clients' problems. If you pick the wrong distribution channel or partner, you could be limiting yourself in the available investment options you are able to provide clients with.

Which model leverages your core competencies and time? Picture this. It's April 11th — crunch time. Bob Smith, your tax and investment client calls to question you on why the market dropped 200 points today. How are you going to balance that call along with the 150 other clients calling about the same thing on top of the pressure to beat the April 15th deadline for your tax work?

Finally, ask yourself which model is best for attracting and retraining clients. If you are unable to provide an excellent experience for your clients, you jeopardize your investment and tax business at the same time. You've got to make sure that your offering is world-class.

Conclusion

In summary, CPAs have many ways to enter the investment business. Spend time thinking about what you want to get out of this service offering and what you want your clients to get out of it before you make your decision. For many practitioners, a strategic partnership may be the most attractive alternative. If you do go this route, be ready to invest time searching for the best fit. The best way to find such a fit is to ask your clients for referrals.

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Neal Frankle is the author of *Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity*. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, do the same for their clients. You may obtain a free white paper – *Should I Offer Financial Services To My Clients?* – by e-mailing your request to [him](#).

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