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## Offering Financial Services to Clients in This Market?

Are you nuts?

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*by Neal Frankle, CFP*

If you aren't in the financial services industry, you are probably counting your blessings. Its tough watching people you care about lose so much so fast. Its also not fun fielding all those frantic calls.

So why would anyone consider getting into this business now?

To answer that, I think it's important to remember why you why you do what you do. And if you are like most professionals I know, you do it because you want to help your clients.

You don't need me to tell you this but your clients have never needed your help more than they do today.

### How to Enter the Financial Services Business

Basically you have four different models to choose from. Each has its benefits and drawbacks.

- 1. Buying a 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. CPA clients can now become investment clients and vice-versa, investment clients of the acquired firm can now become tax clients.

One of the downsides to this plan is that it can be expensive. It costs money to buy an investment firm. Often, a financial advisory firm sells for two times the 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. This option costs you time and does not insulate you from frantic investors.

2. **Build a financial services practice.** This is a much less expensive route relative to the alternative mentioned above. Also, it does allow you to leverage your existing clients and you maintain control over your relationships with your clients.

However, this does requires a significant time commitment on your part as well. Also, this choice may require you to invest in additional expertise and expanded infrastructure, assuming some *Wealth Management Insider* readers are experts in the accounting field, and not necessarily 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. **Create a partnership with an existing investment firm.** This is often the preferred route for CPA's wishing to enter into the investment services business. The reasons are clear. First, this method doesn't require a large commitment of resources. It does not 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. Finally, this approach shares the risk with your partner. It also adds another team member who will field those calls and who (hopefully) has the expertise to take of your clients' investment needs.

As good as this sounds, this path 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 but its time well spent.

4. **Implement 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 this choice. First, you face the potential of losing your clients. You don't really control the service offering or the relationship. Also, it may be difficult to build a referral business that generates revenue for your firm.

## Determine the Right Model

Now that you are familiar with the different models, how do you decide which is right for you? I feel that you have to ask yourself a number of questions before you can answer that:

- *Which model will provide your clients 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?*
- *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. Its April 11th — crunch time. Bob Smith, your tax and investment client calls to question you on why the*

market dropped 700 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?

- *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

You have alternatives in entering the investment business. Your clients desperately need your help today. Spend time thinking about what you want to get out of it 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.

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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. If you would like a free monthly e-newsletter (written especially for CPA's to use with their clients so they make better investments) please e-mail [Neal](#).

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