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Should You Offer Investment Services to Your CPA Clients?

Key strategies for success identified.

November 15, 2007

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Did you love playing tug-of-war when you were a kid? I know I did.

Well even though I haven't played that game for decades, I think you may still be playing it. What I am referring to is the game many CPAs play when it comes to the question of offering financial services to their clients.

That's right. On the one hand, you may really want to offer financial services to your clients in order to provide them with additional value to them as well as grow a potentially lucrative revenue stream for yourself. You may also be sick and tired of seeing your clients taken advantage of by salespeople who call themselves "financial advisors" and want to do something about it. On the other hand, you may be reluctant to offer investment services because of potential liability, lack of expertise, lack of time and potential conflict of interest.

What Are Your Options?

Even though you probably don't sell investments, keep in mind that you are your clients' most trusted advisor and many look to you for guidance in all aspects of their financial lives.

Done right, you can be doing your clients and yourselves a tremendous service by entering into this business.

Done wrong, CPAs can really shoot themselves in the feet. In fact, it's common to find CPAs abort the financial services arena shortly after entering it. As we'll see, missteps in this area can actually lead to losing clients rather than deepening your relationship with them. Offering investments the wrong way can lose you business rather than creating a healthy revenue stream for your firm.

Four Steps to Successful Advising

So how do you realize the opportunity that offering financial services provides? Here are four must-do steps you need to consider:

1. **Decide if you really want to offer financial services to your clients.** If so, why? If not, why not? And if you do want to offer investments, to what extent?
 2. **Understand the four business models you can use to enter this business.** Each of these models has plusses and minuses. Review these models. Understand your options. Only then embark upon this venture.
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- 3. Create a plan for getting your business off the ground.** Remember the old saying that goes “if you fail to plan, you actually plan to fail?” Nothing could be truer than when it comes to CPAs entering into the financial services business. Since you have so much at stake (your existing practice and the well-being of your clients) it is critical that you support your move by creating a well crafted and comprehensive strategic action plan.
- 4. Learn from others’ successes and failures.** There are a handful of key strategies used by successful independent financial advisors. These can be tremendously useful to CPAs entering the financial services business.

What I’d like to do in this column over the next several months is help you understand what powerful opportunities you have through offering financial services. Also, if you choose to offer investment services to your clients, I’d like to help you identify the key strategies for success.

Let’s get started.

Should You Offer Financial Services to Your Clients at All?

Well, CPAs are not immune to the threats of increased competition, technological shifts and an uncertain legal landscape. These realities threaten the traditional CPA business model. Some CPAs are responding to these pressures and opportunities by adding financial services to their business model. Those who succeed are flexible, innovative, knowledgeable and able to leverage critical strategic relationships with other financial professionals.

If you choose not to offer financial services to clients it’s probably because you see a conflict of interest. You might think that if you do offer these services, it would damage your position as your clients’ trusted advisor.

On the face of it, this seems reasonable. But when we ask clients how they feel about it, this concern may be overstated. According to a 2001 study of affluent individuals conducted by Russ Alan Prince and Douglas D. Wright for the AICPA’s *Journal of Accountancy* magazine, only 3.1 percent of CPA clients said they did not buy investment services from their CPA because of a conflict of interest. It seems that your clients may trust you more than you give them credit for.

Think about it. When your dentist tells you to replace a filling, what is the first thought that comes into your head? Do you think that the dentist is only telling you this because he or she wants to make extra money? Of course you don’t. You don’t have this conversation with yourself because you trust the dentist.

It’s the same situation with your clients. When you make a recommendation — even in the world of investments — your clients will trust you for one reason alone. They trust you because you are trustworthy — and your clients are starving for trustworthy investment advice. In fact, three out of four CPAs who provide financial services to clients do so specifically because they feel they serve their clients better.

These CPAs view offering financial services as a “win-win” for their clients and themselves. It helps their clients get the kind of financial services they really need and allows CPAs to grow their business and earn more revenue while heading off competitors at the same time.

Are these CPAs deluding themselves? No. According to a recent study conducted by CEG Worldwide, over 50 percent of prospective clients who had not yet purchased investments through their CPA said they would be interested in doing so.

Conclusion

The environment for CPAs will change considerably over the next several years. While few currently offer financial services, a large number of CPAs have expressed interest in entering this business. Though many

CPAs cite a conflict of interest as the main reason why they do not offer financial services, few clients share this concern.

This month, we looked at some of the reasons why you may consider getting into this business. But is it a good fit for you?

Next month, we'll look at the critical success factors that can help you make these decisions.

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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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Current Published Version : 374

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