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# It's Amazing What CPAs Can Do

## *Pension Consulting Is an Old Practice, but a New Specialty*

By Matthew Gaglio

I thank my father for giving me a clear understanding of the value of qualified pension plans. His career path led him to a general agency with New England Life that also specialized in pension administration, and he became a "pensioner." His knowledge served as the bridge to my focus on wealth preservation through qualified plans, particularly their use as a catch-up tool and tax shelter.

### **A Chance Meeting**

Although this knowledge was always with me, my defining moment took place 23 years ago when I met an individual who had just reviewed his current year's joint tax return with the couple's CPA. He told me that his CPA advised him to just pay the tax due, because his business was profitable. I didn't agree with this strategy, so I suggested a bifurcated defined benefit/defined contribution 401(k) plan for him and his spouse. As a result, I was able to generate \$150,000 in annual contributions for them. I will never forget that day, since it changed the course of my career. If it were not for some minimal level of understanding surrounding qualified retirement plans, my chance meeting with that individual would have amounted to nothing more than a dinner acquaintance. Instead, it was a lost opportunity for his CPA, who was ultimately relieved of his services and lost out on years of tax returns for my new client's multiple businesses, and the likely referrals that would have followed.

### **Losing a Valuable Skill**

In 1992, CPAs did not view a qualified retirement plan as a resource for tax planning because they were not taught to. At one time, CPAs were instrumental in helping small business owners create retirement plans for themselves and their employees.

They worked closely with pension specialists and actuaries to develop a plan strategy to meet the unique goals and objectives of each client, remaining involved year after year to review annual limits and laws to ensure the plan was delivering the maximum tax benefits. This began to change with the Tax Reform Act of 1986, which eliminated many of the incentives for small businesses to provide pension plans. As a result, CPAs and other financial advisors began removing themselves from the process.

By the time of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, which worked alongside other legislation to bring the focus back to customized plan design, the damage had been done. The "producer" group (i.e., attorneys, CPAs, insurance representatives, actuaries and investment advisors) was fragmented, with only a handful of people remaining who remembered and understood the importance of tailored plan design.

Without a bridge like the one I had from my father, the connection to EGTRRA's enhancements is gibberish to many of today's CPAs. To them, retirement planning is nothing more than products sold and administered by others.

### **Finding the Way Back**

Industry experts agree that the greatest wealth transfer in American history will take place over the next 10 years. As advisors—whether CPAs, pension experts, or insurance representatives, or others—our ethical responsibility is to help our clients protect that wealth. While this certainly includes safeguarding assets from the Bernie Madoffs of the world, it also involves preserving as much of that wealth as possible for the next generation. The only way to do that is to work together on behalf of our clients.

The last three decades have left many business owners and their employees largely on their own when it comes to retirement planning. They have suffered from a serious lack of advocacy, left to rely on 401(k) plans, IRAs, and other assets under management (AUM) plans to safeguard their future safety net. These "one-size-fits-all" designs simply do not adequately preserve wealth.

But the qualified retirement plan is making a comeback, and I would argue that CPAs should make a comeback as well. Our clients want and deserve expert guidance. They want to know someone they trust—someone who knows what's important to them—is looking out for their financial well-being.

At my firm, we take a personal, hands-on approach to retirement planning. For us, retirement planning should never be product driven. Instead, plans should be designed first around individual goals; products should be discussed only after these factors are defined.

All aspects of financial planning have tax implications, and no one knows an individual's needs, risk exposures, and hopes for the future better than their CPA. By taking a more strategic role in the retirement planning process and working hand-in-hand with a team of other professional advisors, CPAs can help their clients effectively maximize tax benefits for the short term, while ensuring they are able to pass on a greater portion of their accumulated wealth. This, in turn, will result in a happier, more loyal client base, helping CPAs strengthen and grow existing accounts and win new business. □

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