

# What CPAs Are Asking

## FAQs About The CPA<sup>2</sup> Program

**1. Does the CPA<sup>2</sup> program have a history and a successful track record?**

Yes. Even though the CPA<sup>2</sup> program is new to Nobile Hinchey Private Wealth Management, it has a rich history and tremendous track record. The co-source model and the related tools, systems, techniques, and strategies have benefited CPAs and wealth managers for more than 20 years. The turnkey system has evolved and been significantly enhanced over time. As a result, Nobile Hinchey Private Wealth Management has the most advanced and robust version of this turnkey system in the marketplace.

**2. What revenue potential can my firm expect by adding wealth management services?**

The success of each CPA practice will vary, depending on the level of commitment and energy exerted in building the business. If your CPA firm is committed, serious, and willing to follow the co-sourcing model, the revenue potential in adding wealth management services may be as high as 10–20 percent of adjusted gross accounting billings (excluding audit and attest billings).

There are many factors and variables that contribute to a firm's overall success in wealth management services. The 10–20 percent benchmark is based upon actual results from past performance with three other wealth management services institutions/broker-dealers using the co-sourcing model. Keep in mind that future performance may differ from past performance. Therefore, past performance is no guarantee of future results.

**3. What is the revenue-sharing arrangement with a CPA<sup>2</sup> Wealth Manager?**

One difference between the CPA<sup>2</sup> model and others is Nobile Hinchey Private Wealth Management believes total transparency of revenue sharing mechanics is critical to the success and win-win of our partnership with our CPA alliances. Our model is based upon a total payout of 95% of which 25% goes to NHPWM for compliance and office expenses and the balance of 70% is split 35% to CPA and 35% to the wealth manager. The CPA's value is in bringing clients to the table and endorsing the process. The wealth manager's value is in analyzing clients' needs and implementing financial solutions for the CPA's clients. It truly is a powerful alliance that creates a win/win/win situation: the CPA wins, the wealth manager wins, and, most importantly, clients win.

**4. What type of licenses and credentials are required?**

The primary product solution for wealth accumulation are fee-based account programs. The required licensing is a series 65 that consists of a 3-hour exam with 130 questions.

**5. Should we set up a separate entity for the wealth management services business?**

We strongly suggest that the firm set up a separate entity(ies) for wealth management services. The formation of a separate entity will create a legal separation between your CPA practice and the wealth management services business. Separation of businesses will make it clear to your clients what services you are providing and how you will be compensated. Separation of businesses and related client disclosures will better allow you to adhere to the ethical principles of independence and objectivity outlined in the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct. In addition, if you ever choose to sell your wealth management services business, having it established as a stand-alone entity should make it easier to accommodate this transaction.

**6. Multi-partner firms: Can unlicensed partners be compensated?**

FINRA rules require that only licensed individuals can receive fees for assets under management.

**7. Multi-partner firms: Can a partner be affiliated with your broker-dealer and another partner be affiliated with another broker-dealer?**

For clarity regarding advertising, supervisory, and separation of business, all persons who are participating and offering wealth management services through the CPA<sup>2</sup> program must be referral representatives with the same broker-dealer. For specific information, contact your broker-dealer.

**8. How long does it take to get properly licensed?**

The time frame will depend upon the amount of time and energy you can devote to the process. In general, the process will take one to three months.

**9. How long does it take to get the new business up and running?**

During the one- to three-month period in which you are preparing for exams, we will work with you to set up the wealth management services office and business. We will help profile your clients, assist you in determining the proper business structure, initiate on-site training, and begin to develop a specific marketing plan. Upon successful completion of these activities, your business should be up and running immediately.

**10. What are the capital requirements to start a wealth management services practice, and what can I expect for ongoing operating expenses?**

Integrating wealth management services into your existing CPA firm with our co-sourcing model requires some capital outlay.

If applicable, annual firm element training is provided by the broker-dealer for an additional annual charge of \$0–\$200 (please refer to the broker-dealer for the actual cost). Other costs, which vary, include licensing, exams, materials, and costs related to establishing the appropriate business entity.

Ongoing operating expenses include marketing, administration, continuing education, educational seminars, client-appreciation events, targeted direct-mail campaigns, newsletters, advertising, technology, business cards and stationery, and other reasonable business expenses. In many cases, some of these expenses are shared with Nobile Hinchey Private Wealth Management. The creation of materials to be used with any member of the public requires approval by the broker-dealer and RIA.

**11. Is errors and omissions insurance necessary? How do I obtain it?**

Under the referral representative contract errors & omission coverage is required and provided through the Broker Dealer. The approximate cost of coverage is \$1,200 per year.

**12. Is this alliance exclusive?**

If you choose to register with a broker-dealer and registered investment advisor, it will be an exclusive relationship. This means that you must be solely registered with these entities, most of which will not allow dual registration with any other broker-dealer. You may continue to use your referral network of other professionals. You may NOT, however, refer business to any other

Broker-dealer or registered investment advisor, as this would be a violation of the securities industry's policies and procedures and a violation of securities law, called "selling away." Keep in mind that you may not be compensated for the sale of products you've referred to other broker-dealers or their representatives after becoming registered with our broker-dealer as a referral representative, even if these referrals occurred in the past.

**13. What is the relationship between Nobile Hinchey Private Wealth Management and the CPA<sup>2</sup> program?**

Nobile Hinchey Private Wealth Management owns and manages the CPA<sup>2</sup> program. This program is based on a dynamic CPA-wealth manager strategic alliance model that has been implemented with great success in various areas of the country.

**14. How is the CPA<sup>2</sup> program different from the competition?**

Our program offers a hands-on, long-term relationship. We believe that our involvement and support on a local basis is the key to helping CPAs successfully and profitably integrate wealth management services into their enterprise. Our program allows CPAs to profitably add wealth management services without materially disrupting their existing CPA practice. Nobile Hinchey Private Wealth Management is committed to the delivery of independent and objective wealth management services.

- Co-source model: The professional's choice
- Planning focus
- A full range of products and services
- Partnering with experienced wealth managers
- Limited disruption to your practice
- Proprietary systems, techniques, and tools
- Successful track record

**15. What is the time frame and sequence of events to get the business started?**

Month 1: Letter of intent and delivery of licensing kit.

Month 2: Schedule exams, study for exams, and sit for exams.

Month 3: Deliver applicable referral representative contract; market planning, client profile, office setup.

Month 4: Begin Financial Services Day, marketing activities, client appointments, client offerings, sales, and services.

**16. What is my state's position on CPAs accepting commissions?**

Rules vary from state to state. Contact your state board of accountancy to determine the rules, regulations, and interpretations for your state. In addition, you can visit the AICPA website for more information

(<http://www.wiley.com/college/kieso/0471363049/dt/protocol/Ethics/aicpa/et591.htm#192>).

**17. What is the AICPA's position on CPAs accepting commissions?**

Rule 503 (commissions and referral fees) of the AICPA Professional Standards states that CPAs can accept commissions provided they disclose those commissions to the client. CPAs are not allowed to accept commissions for products purchased by clients for whom they've performed the audit or attest functions.



**18. How will my clients react to me making wealth management services available and engaging in commission-based activities?**

Chances are your clients are already seeking your advice on wealth management services issues. When you have referred them elsewhere, the level of service may have been inferior to the service your CPA firm normally provides. By bringing these services within your control, you can guide your client through the recommendation and decision-making process, and then assist him or her in the implementation of long-term strategies, including putting into place products and services. Clients often appreciate the convenience and professionalism that you will be able to provide.

**19. What are the legal and compliance issues I will be facing?**

Just as the accounting profession has rules governing ethical business conduct, so does the wealth management services profession. Our wide range of products and services allows our wealth managers to offer solutions tailored to the individual needs of each client. By following the policies set forth by our corporate compliance office and by providing services that are in the best interest of the client, the risk of compliance issues can be managed effectively. In addition, our system of documentation and disclosure ensures that your clients understand the wealth management services you offer and the compensation you derive from any sales. They also understand that this compensation is distinct from your accounting practice.