

CPAs and Financial Advisers: A Great Team for Clients

By Kevin P. Nicholson

Throughout 2016, two of my clients who are partners in a business kept telling me what a fantastic year they were having. Since my firm handled their 401(k) plan, we suggested that we meet with them in September with their CPA and their plan's third-party administrator (TPA). The main item on the agenda was to find ways to reduce the partners' overall taxable income for that year.

The TPA presented some creative ideas for making a profit-sharing contribution for the 2016 tax year. The CPA followed, explaining how the owners could fund this for a 2016 write-off: make the actual cash contribution to the plan for the employees before year end so they see it in their accounts around the holiday season, and make the contribution for the partners into their portion of the plan during 2017 – all while getting the entire deduction in 2016.

The business owners – our mutual clients – were very happy. Their financial advisor, CPA, and TPA worked together to present a great tax-reducing option for them. Having the meeting in September allowed the clients time to digest the concept and not feel rushed into a decision. They've already asked us to set up another joint meeting this year.

Experiences like this are why I make it a point to request three-way meetings with my clients and their CPAs. It's something our industries don't do often enough. As a financial advisor, I have a solid understanding of my clients' financial plans, but I'm not a CPA. There may be tax issues or implications that don't come immediately to my mind. As a CPA, you likely run into the same situation in reverse – you're totally familiar with your clients' tax obligations, but you may not have the 360-degree perspective on their financial goals.

When we work together, financial advisers and CPAs truly provide a higher level of service to clients, but the benefits go even deeper. These meetings provide opportunities to strengthen our professional and personal relationships with clients, reaffirm the value of our services, and find trusted colleagues across industries.

Raising Our Game for Clients

The most important reason for CPAs and financial advisers to collaborate is to ensure that we're offering our mutual clients the best service possible. Three-way meetings facilitate this.

First, having a CPA and financial advisor in the same room allows for a discussion of their client's financial situation in its entirety. They can engage in forward thinking; gain a deeper understanding of the client's short-, medium-, and long-range plans; and brainstorm strategies for meeting the client's goals. With a fully fleshed out picture of the client's financial situation, the CPA and financial adviser can craft comprehensive financial and tax planning strategies, working collaboratively to ensure all perspectives are considered.

Accuracy also improves. How many times have you asked a client why their financial advisor recommended a particular action, only to listen to your client struggle to explain their financial adviser's thinking? The joint meeting eliminates this "whisper down the lane" dynamic, ensuring more accurate information sharing and avoiding some of the common mistakes that can occur when a client and their advisers meet separately. Consider a client whose financial adviser recommends selling a nonqualified

asset with a large capital gain. Wouldn't it be great to know about that recommendation as it happened (or shortly after), rather than after the tax year, when nothing can be done about it?

Strengthening Our Business Models

Many of my clients see their CPAs as the people they consult with once a year, at tax filing time. When I suggest that we meet with their CPA during the "off season" (usually the summer), they react as if I've just suggested having Thanksgiving dinner in May. But in these off-season meetings, clients see their CPA in a light that is not often revealed. Suddenly the CPA becomes more than just "my tax return guy."

CPAs and financial advisers have an interest in making sure our mutual clients see the true value of our services. Let's face it: both of our businesses are becoming commoditized. Roboplanning programs are gaining traction, and our business models are already starting to look different. This will continue. Collaborative planning and strategizing – bringing people together to listen to and build off each other's ideas – is something that computer programs can't yet replicate. Getting everybody in the same room can help clients see the value offered by smart humans working together.

These collaborative, forward-thinking meetings can also generate additional revenue for your practice. Let me be clear: We are not setting up these meetings to generate additional fee income; we are setting them up to help our clients develop a more comprehensive financial and tax plan. But if the client gets value from the meeting, they will most likely want to repeat the exercise on a regular (at least annual) basis. This should generate additional hourly fee revenue for CPAs.

Getting to Know You

An additional benefit to three-way meetings that shouldn't be overlooked is that CPAs and financial advisers can gain valuable friends and allies across industries. Seeing a counterpart in action can help you determine whether you're comfortable with the other person's business philosophy and practices. If you mesh well and develop a mutual level of trust, you may find a new connection for mutual referrals. As a CPA, you may also find it valuable to have a friendly financial adviser or two that you can rely on when you have questions about our industry or issues affecting another client. I know I've benefitted from having a wider network of CPAs to call on when I have a question about a complicated tax issue.

Finally, these types of meetings can be fun. For those of us who have been in our respective businesses for 20 years or more, habits take hold and things can get monotonous, even when we love what we do. Broadening your client meetings to include a financial adviser gives you an opportunity to work as a team to come up with creative solutions for your clients' needs. The whole process can bring some new energy to your regular practice.

With our clients facing a variety of complex issues and new challenges coming to each of our industries, it makes sense for CPAs and financial advisers to explore how we can work together to deliver the best service to clients and reaffirm the value of our business relationships.

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