



HARBOR FINANCIAL, INC.

CPA'S, TAX PREPARERS & ACCOUNTANTS
PROVIDING FINANCIAL SERVICES



MOST TRUSTED ADVISOR

Produced by Stephen J. Levine & John Bivens
Investment Advisor Representatives
Latitude Advisors, LLC

MOST TRUSTED ADVISOR

You are your client's most trusted advisor. Rather than sending your clients up the street to a bank, an external advisor or insurance agent, why not consider getting licensed so you can help your clients yourself? They are already asking you questions, don't push them off on to someone else and lose control and opportunities. Help your clients, they are expecting you to be there for them.



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WHY I CREATED THIS E-BOOK

Collectively, Jon Bivens and I have been in the financial services business for over 60 years and together have seen a lot of industry changes. About 25 years ago, we began working more closely with accountants by providing our services to their clients. The two, we found, went hand in hand. We believe that this synergized relationship is the most cohesive and natural relationship within the industry. As time has gone by, these relationships have become more than just colleagues, but good friends. It has been a great trip so far.

HOW WOULD YOU, THE ACCOUNTANT BENEFIT FROM READING THIS E-BOOK?

Did you know that you are your client's most trusted advisor? That's right, your client's rely on your knowledge and expertise – even when they're not actively thinking about their finances, subconsciously, their minds are churning things over and over. Would your clients feel as if something was missing if you didn't offer them a full, comprehensive service? What about their retirement plans – are they being offered efficient tax advantages available to them? Do they even have an adequate Pension, SEP or IRA? And, as their accountant, are you doing a good job for them if you're not offering them these options? The chances are your clients already have been asking about these products & services. Why not turn this into an additional revenue stream and add monetary value to your business? You'll not only be benefitting from the extra income but creating an evolved relationship with your client that keeps you above your competition. Plus, your client sees and feels this added value and is likely to refer you to their friends, family and colleagues. Making this a win-win all round.

After you give your valuable advice, do you send your client to an outside broker or advisor? Do you send them up the street to the bank? Do you send them to an insurance agent? How do you currently handle these questions? If you send them to an external broker or advisor, what do they do next? Do they come back to you and ask if it was done right? Do you follow-up with the client? Wouldn't it be better for everyone if you welcome these questions as part of your service to your clients but also make it a source of revenue for your firm? Is extra income good for you now? Is residual income that can be used to subsidize your retirement a benefit to you later?

We have different ways in which you can approach this business and will discuss it later in this e-book. Our hopes for you by reading this e-book are to motivate you to consider adding financial services to your practice and to give you a clear and concise roadmap to success in this industry. Also, to enhance your current business by developing other opportunities with your clients and to alleviate your apprehension about adding these beneficial services and to show you why you should act.

WHAT ARE YOUR CLIENTS THINKING?

- Why isn't my accountant helping me with my financial life map?
- Why does my accountant send me to the bank?
- Does my accountant only know how to do taxes?
- I need these products and services; I will need to pay someone... why not my most trusted advisor?

Read between the lines. Your clients are telling you what they need by the questions they're already asking you. In all likelihood, there are a myriad of questions being raised during your client appointments. Queries around IRAs, SEPs and other retirement plans. They talk to you about their kids, about sending them off to college. I've heard of clients asking their accountants about immigration, Medicaid, Medicare and all sorts of questions – even about the Lottery. In essence, they are talking about their lives.

When your client asks you about retirement plans, wouldn't it be better for everyone if you were properly licensed and ready to help? Of course, it would. Rather than wasting an hour of your time, set them up with an IRA. Depending on how you set it up, it could take as little as 30 minutes. By bringing in your financial services partner you can leverage your time even more. You just transitioned that "time waster" into a source of revenue.

Turn those 30 minutes into hundreds if not thousands of dollars per year. Let's discuss how this could happen

Client A has a \$2000 tax bill. You suggest they open an IRA, deferring that tax and saving them from writing a check to the IRS today. You open the IRA for them or have your financial partner do so, thus earning a small amount of money. Your financial partner then contacts your client and discusses their other needs. He/she may need a long-term care policy and has \$400,000 in IRAs without management. Your financial partner provides their services. Commission on the long-term care policy is \$2000 and the management on the \$400,000 is at least \$4,000 per year, \$6,000 gross the first year and \$4,000 per year each year the client stays with you. 30 minutes of your time has been converted into thousands of dollars that may continue through your retirement. Also, as your client's assets grow, so does your annual revenue. You would need to be properly licensed to share in these fees and commissions.

WHAT ARE YOU THINKING?

- Is this going to be a headache?
- Will my clients want to do business with me in this area?
- Is there a conflict of interest?
- Do I have the knowledge to help my clients in this area?
- Do I want to be a salesperson?
- Everyone else is doing it
- I have so many things to do, how much time will this take?
- Do I need more staff - how will I know how to allocate my staff's time?
- Do I want to take another exam?
- Do I want more continuing education requirements?
- Will I lose clients if the market declines?

If the loss of revenue due to more competition, do it yourself software, etc., isn't enough to motivate you to add financial services to your practice, then maybe the fact that you are your clients most trusted advisor will. By increasing the value of your portfolio of services to your clients, you will help retain their tax return business and other accounting. Your clients want you to offer them these services. Many are tired of duplicating the same information over and over to the multiple financial and tax people in their lives. Since they have always asked you what they should do in many of their financial situations, they will be delighted to be able to work with just one consistent professional. The one professional, you, is their most trusted advisor and that, is you. They trust you and people will not discuss financial matters with someone they don't trust.

Trust is earned and over time the experience your client has with you has been an indication that you have their back, and that they're in safe hands. At the end of the day your client will be canvassing this advice from somewhere. Doesn't it make sense that you're that source? This isn't a hard sell, more a distinct solution to a very obvious problem or challenge. You don't have to worry about a cheesy sales pitch because the value speaks for itself.

You may be concerned about a conflict of interest. As long as your client isn't an attestation client, you're all good, there's no conflict of interest. Look at this as a way of investing in yourself and your business. Yes, embarking on another exam is time consuming but becoming a licensed advisor is an attractive asset to add to your arsenal, putting you ahead of your competitors. If we've learned anything in these humbling times, it's the ability to be flexible and to adapt to what our environment is telling us.

Now that you agree this might be a good idea for yourself and your practice, the next logical question is do I have what it takes? So, are you ready? Instead of pulling out pieces of paper and handing them to you, they will be bringing out a part of their heart to put on the table for you to look at. Instead of recording a number in a computer, you will be receiving another piece of the puzzle of their future-life to fit into the right place. It means that instead of having a big book of IRS code to peruse in order to support your entries, you will have a big stack of product information to look at and lots of regulations to govern your conduct.

Your clients are, in a polite way, demanding one-stop shopping for their financial needs. More and more financial professionals are offering tax services, so as a tax specialist, why shouldn't you offer financial services? You already have the trust and confidence of your clients, so read on and discover how to get ready to level up and expand your horizons.

As a side note, many accountants are worried and concerned when the market doesn't cooperate. This is a uncomfortable time, however this is part of every cycle. We do all we can to mitigate risk in many ways but the most important way of controlling this is to set expectations. We make sure our clients understand risks and ride out the cycles. The longer we've been in business and the longer we work with cycles the less concerned our clients become.



HOW MUCH TIME DOES IT TAKE?

There are primarily three components to how much time it would take.

1. The first component is the time it takes to obtain your licenses in order to offer financial services to your clients.
2. The second component is the time it takes to get smarter. This is where CPAs have an advantage because you are already very knowledgeable in many aspects of financial planning. It will take some time to learn about the products that you will utilize to assist your clients with their investments.
3. The final component is the amount of time it takes away from your tax practice. This is usually very profitable time, but you need to account for it.

IF GETTING LICENSED

This part has changed quite a bit over the years. Twenty years ago, most CPAs who decided to offer financial services to their clients would obtain the Series 6 or Series 7 along with the Series 63 in order to sell commission securities products to their clients. They might also add a life/health insurance license too. Today, most CPAs get their Series 65 license in order to offer fee-based services to their clients, whether via financial consulting fees or asset-based management fees or both. Many will obtain their life/health license and their securities license.

The Series 65 exam will require about 30-40 hours of study over a couple weeks.

The Series 65 examination contains 130 multiple-choice questions. Candidates have 180 minutes to complete the exam and must answer at least 94 of the 130 questions correctly in order to pass (72.3%).

The SIE exam is a pre-requisite for taking the Series 6 or 7 exam.

In order to pass the SIE exam, you will likely need to dedicate many hours over the course of weeks (or months) to study the material. While everyone retains information a bit differently, it's recommended that you spend at least 50 hours dedicated to studying prior to taking your exam.

The SIE exam consists of 75 multiple-choice questions plus 10 unscored questions, and you have 1 hour 45 minutes complete it. You need to get a score of 70%, or higher, to pass.

The Series 6 Exam will require about 35-40 hours of study over a few weeks.

Test takers are allowed 2 hours 15 minutes to complete 50 multiple choice problems. The passing score is 70%, and individuals who fail this test must wait thirty days before taking it again.

The Series 7 Exam will require about 80-120 hours of study over a few months.

The Series 7 exam consists of 135 questions over 3 hours 45 minutes. Out of the 135 questions on the exam, 125 are counted towards your final score. You must obtain a score of 72% or higher to pass the exam.

The Series 63 Exam will require about 20 hours of study over a couple of weeks.

The Series 63 exam consists of 135 questions over 3 hours 45 minutes and consists of 60 multiple-choice questions. The passing score is 72%

CHAPTER 4

IF GETTING LICENSED

Your real learning starts after the exams! Once again, it's all about experience and how to get it without learning by making mistakes with your clients' life savings.

One of the key differences is experience. In the tax arena, we have the tax code to use as our guideline. We have computer programs to perform calculations and these calculations are straightforward. This is not the case in the financial services arena. There are multiple financial planning software providers all with different assumptions that you need to assess before the calculations can be run. The bottom line is that if you are going to be successful in the financial planning business you need experience. There are basically two ways to gain that experience. Option one is by learning through your clients and option 2 is by teaming with an experienced financial advisor.

OPTION 1

In this option, you work directly with your clients primarily using your knowledge of their situation and any knowledge you have of the financial services industry. Most CPAs are not interested in learning via their clients but learning from your clients. Once you decide to offer financial services to your clients, many opportunities will arise. Some easy and some more complex. Learning from these situations will help speed up your level of knowledge because you will need to obtain the answers from the companies you work with (Broker / Dealer, Registered Investment Advisory firm, mutual fund wholesalers, third party money manager wholesalers and model portfolio construction).

OPTION 2

In this option, you team with a financial advisor who has the experience in the financial services business. In order to make a good choice you should evaluate this advisor in a number of areas. First you should evaluate his/her experience in the business as a whole. Secondly, you should make sure to manage expectations. Thirdly, you need to spell out the processes of how to handle this new additional service that you will be offering your clients. Perhaps you want someone to show you the ropes in the beginning and teach you how to work independently with your clients? Perhaps you want to count on your partner to work directly with your clients and you are involved in the meetings, but the advisor handles the relationship? Or some combination of the two, depending on the complexity of the case, or on how you choose to allocate you and/or your staff's time?

Some of your decisions will be based on your personal preference in how you want to work with your clients, along with how your current CPA office is staffed. Will you need to hire additional staff, or re-allocate responsibilities of staff? Who is going to handle the paperwork required to establish these new accounts?

Do you want to just refer the business to a seasoned professional, partner with an advisor or do it alone as the advisor? Each option requires licensing, but allocation of time will be vastly different.

So, a seasoned financial advisor to help you learn the business, look at mutual fund wholesalers, third party money manager wholesalers and model portfolio construction

Or doing the business? Look at allocation of staff, allocation of your time. Do you need to hire new staff?

Do you have what it takes to go for this endeavour?

HOW PROFITABLE WOULD PROVIDING THESE PRODUCTS AND SERVICES BE TO MY BUSINESS?

There are several business models that work. We offer all of them to our associates.

- Doing it yourself all the time
- Doing it together with a seasoned Financial Advisor all the time.
- Choosing when you want to do it yourself and when to include your Advisor (partner).
- Referral only.

We do not restrict you in anyway. We will discuss which method meets your needs, your clients' needs and what is most profitable and why. However keep in mind, to get compensated you will have to get licensed.

TIME REQUIREMENTS

DOING IT YOURSELF ALL THE TIME

Each client will have different time requirements. Compensation should be consistent with the time you spend with them and with preparing, trading and managing their assets.

DOING IT JOINTLY WITH A SEASONED FINANCIAL ADVISOR ALL THE TIME

Your time is required during the introductory meeting. After that time, meeting time with them during tax season will be sufficient because your partner will be talking to them multiple times during the year as an additional resource for you and your business. We feel this is the best model because you leverage your time. On an hourly basis it is very profitable.

CHOOSING TO DO IT SOME OF THE TIME ON YOUR OWN AND SOME OF THE TIME WITH YOUR PARTNER

Time requirements would be split as outlined above.

REFERRAL ONLY

You still need to get licensed. You would facilitate a quick introduction to your financial advisor partner, then you step away from that relationship. In our opinion, this is the least effective and helpful way of providing financial services to your clients as that initial meeting is extremely valuable to the success of converting that tax client to a financial services client.

WORKING WITH A FINANCIAL SERVICES PARTNER

If you take one hour, reaching out to the client who already asked you questions or who you know needs help, you sit in on the initial meeting and give a formal introduction to your financial advisor partner (this can and should be done virtually in many situations), you reap the rewards, help your client immensely and solidify your relationship with your client.

CHAPTER 5

EXAMPLE:

One Hour of Your Time

Your client has a \$500,000 401K plan, is ready to retire and roll over the 401K or other pension to an IRA.

- Client needs Life Insurance (to get compensated on life insurance you would need to be licensed for life insurance).
- Client needs Long Term Care Insurance (to get compensated on Long Term Care Insurance you would need to be licensed for health insurance).

A little side note about insurance. Your partner will be licensed for insurance and will solve the need for the client, but we very purposely do not push products (especially insurance products). We find it creates an adversarial relationship with your client and we do not want to do that. This is often why it does not work just referring business to an insurance agent. Your client will complain about being "sold". We take great pride being on the same side as your client. Insurance consulting can be billed by you to your client under a separate financial consulting agreement and at the same time satisfies your clients' needs for ongoing financial planning services.

Typical Fees (example)

\$500,000 charged at the rate of 1.375% of assets under management (AUM), Annual Fees (Gross) is \$6,875, payout to you is 70% if you do it yourself = \$4,812.5.

Life Insurance Premium of \$2,000

Long Term Care Premium of \$5,000

You spent one hour during the introduction if you work with a partner. See below for your potential Annual Revenue:

TYPE OF BUSINESS	INVESTMENT AMOUNT	FEE CHARGED	GROSS FEE	YOUR PAYOUT	YOUR ANNUAL COMPENSATION
				70%	Split
ASSETS UNDER MANAGEMENT	\$500,000	1.375%	\$6,875	\$4,812	\$2,406
INSURANCE CONSULTING			1,000	700	350
FINANCIAL PLANNING SERVICES			1,700	1,190	595
TOTAL INCOME FROM 1 HOUR				\$6,750	\$3,351.25

[A discussion would be required outlining additional costs with other products and services. Often, we use a 3rd party to assist us with asset management and trading. This is not mandatory but is suggested.]

CHAPTER 5

The above is only an example. Actual results will vary with a myriad of variables. The accounting professional would get \$3,351.25 per year for what amounts to 1 hour of work. You have to be willing to broach the subject with your client, schedule the appointment and bring the advisor into the mix. It's fun and profitable to you. It may be the most profitable part of your business on an hourly basis.

Compare this to the tax return you do, the time you put into it, the staff you need to pay whether the business comes in or not. Your tax business is a "gold mine". Do not shortchange yourself and your clients by being a technician. Be a businessperson and reap the rewards.

Based on a typical tax return you need to do annually, it's the same amount of work, or more based on new tax codes.

Add these financial services to increase your revenue above and beyond your accounting services.

Breakdowns of potential revenue and time each way

Referral, (finder's fee) Little time, less pay (you still have to be licensed)

Partner (splits, illustrated example of 50% of payout)

Do it Alone (100% of payout, more time, more control and more staff)



HOW TO MARKET TO CLIENTS

After getting the proper licenses, you may wonder how to start and when should I be ready, especially if you're thinking about tax season. There is no reason to wait for tax season to get started. While tax season is important to let all your clients know you're doing this type of work, the new business only begins during tax season and it doesn't end there. Make a list of all your clients with your advisor partner.

Prioritize them in order of need. Without knowing anything else, need at this time should be defined as who has a need, has the ability to pay and willing to discuss his financial needs. Remember you don't have to push anything on your client.

Think back during tax season, did any of these clients ask you about retirement plans or any other financial question apart from taxes?

Go to your tax program and run a report of who has more than 1 W2 for the prior year. If they have more than 1 W2, they may have a 401K or Pension Rollover that needs to be done.

Other factors to look for are changes in family situation, new baby, marriage, has high dividends or interest. Consider who is new and just starting out in their career? (potential subscription financial life map client - tbd later)

Set a goal to call 5 of them each and every week perpetually. This plus your hour meeting is all you need to do to start and grow a profitable financial planning practice. If you have 500 tax clients, you won't be able to get through to all of them. We're hoping that when you see the success, you'll be motivated to increase the number of calls per week. You can't give the list of clients to your financial advisor partner. Doing so is just handing off the client to someone else. It's imperative for your client to know that this is your business and that you brought in your partner to work with you and your clients.

TAX SEASON

Let your client's know you added financial services to your offering. Ask if there is anything on their minds they would like to discuss. Depending on their answer:

- Solve their needs immediately
- Call your partner and introduce the client to the partner in your presence
- Schedule a followup appointment for after Tax Season with financial services partner

IDEAL PROSPECTS FOR FINANCIAL SERVICES

Higher net worth

Small business owners, complex needs

High earners

Married couples

CHAPTER 6

The best way to market your new offering is by working with your existing clients after or before Tax Season. You have long standing relationships with many of your clients and most treat you as their most trusted advisor. You need to be proactive in letting your clients know that you now offer these services.

You can send out an introductory letter that clearly explains how you have enhanced your offerings to them by adding financial services to their practice. You can offer a FREE initial consultation to discuss this offering as well as use a fact finder to gather additional information about your clients (you might know most all of it already).

Second, you should look for all of the marketing opportunities within your practice to find your ideal prospects. Once you have identified these prospects (high net worth, high earners, small business owners, etc.), you should make calls to schedule meetings. Allocate about 3-4 hours each week to this activity, which will lead to about one full day a week of activity with clients regarding financial services discussions.

Third, you should make sure that your waiting area has information regarding investments and insurance offerings and ideas. Most companies have client approved literature that you can get for FREE. It is better than having People Magazine or Sports Illustrated in your lobby.

Fourth, you should enhance any social media that you are using for accounting with your new financial services offering. We always think it is best to add new clients to your accounting practice and build that relationship first, but sometimes you might get a financial services client beforehand.

Finally, you need to make this a priority in your business and stay committed and focused. Financial life events are a priority for your clients and if they need your help you need to find time to help them, otherwise they will go somewhere else.

There are many ways to do this, but you will need to find your unique way in managing this commitment. It will also vary depending on if you are the primary advisor or if you decide to partner with an advisor.

As a tax professional, you have a history with your clients of making recommendations that are in their best interests. When you start offering financial services to them, you just continue making recommendations that YOU believe are in their best interests.

CONCLUSION

In conclusion, we feel that if guided right, you will love this business. We expect that it will be the most enjoyable and profitable part of your professional career. Even though we encourage you to work with a financial advisor partner, you are under no obligation to do so. You can do all of this with our guidance. However, we feel by you leveraging your time and utilizing your resources (us), you will be asking yourself why you didn't do this 10-20 years ago.

Some CPAs might be thinking, maybe I can get my secretary to make the phone calls. Perhaps, but you know your clients well. You want to frame up the conversation as if you want to help them with other areas of their financial lives. We feel it's important for you to make the call. Even if you think you'll get roped into doing something that is not profitable and is time-consuming, you can at this point, utilize your staff to solve those problems. The point is, you're keeping the conversation going and creating the safe space for open dialogue so that your client immediately thinks of you when they have a financial question or opportunity that comes their way, thus paving the way for further revenue.

That's why prospecting has always proven to be a lucrative business behavior. You've already done the groundwork. As an accounting professional can you really afford not to be a part of the bigger picture and start receiving that extra income you deserve? The best success is found in serving your clients. The revenue you make by adding financial services can be a life changing amount, but the main reason to offer these services is because you will maintain your commitments to excellent service, professional integrity and client satisfaction. YOU will be in charge and make sure that your clients have the greatest chance at meeting their life's goals.

Contact us here info@harborfinancialinc.com for further information and to book a meeting.

Thank you for reading this e-book.

Stephen J. Levine

John S. Bivens

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