"Broker/dealers seek out CPA partners"

Would you give investment or insurance advice to a client without knowing their tax situation?

That's a question that Bill Stevens, vice president of marketing for Dallas-based broker/dealer 1st Global, frequently asks CPAs. "And they're horrified." He recalled. "I say, 'Well. I'm pretty sure that your clients right now are getting investment advice, retirement-planning advice and insurance advice from people who are not aware of their tax situation. So there's a void you can fill.'"

Acknowledging that void has brought many CPAs into the world of financial planning, or what is now shifting into the more comprehensive offering of wealth-management services.

Experts opined that the shift stems from the high number of Baby Boomers who have various financial concerns beyond the traditional goals of attaining wealth. In response, broker/dealers and financial services companies are making adjustments in their offerings, and are aggressively recruiting CPAs, accounting firms and tax professionals.

"The financial services industry in the last 30 years had been built on wealth accumulations," Stevens said. "The Baby Boomers now have accumulated that wealth and are facing a whole new set of issues: planning for their retirement income and planning for the transfer of their estate. When they begin thinking about those things, it goes beyond investment planning and requires consultations on taxes. Therefore, CPAs and tax professionals really are in the driver's seat to help with their next phase of wealth management."

Over the last two years, CPA interest in planning has picked up, according to Mike Gandet, vice president of strategic growth and initiatives for Schaumburg, Ill.-based Genworth Financial Investment Services.

Last year, Genworth saw a 62 percent increase in overall recruits, and Gandet said that more CPAs and accounting firms are showing interest in becoming involved in fee-based planning. Roughly 80 percent of Genworth's advisors are accounting professionals, with upwards of 40 percent of their reps holdings the CPA designation, according to Gandet.

"In the beginning, it was more heavily on the commission side." He said of the interest in wading into financial planning amond CPAs. "But now the trend is more fee-based. We have seen a significant increase in sales in our firm. There are the bigger CPA firms, who are actually becoming registered investment advisor firms and managing the money themselves for a fee. If they were to do that, we can act as a back-office service provider."

Tax professionals, CPAs and accounting firms can enter into the financial planning arena, earn a securities license, go through a training program and be compensated through commission. However, many advisors are now gravitating toward a fee-based option, especially when managing a large portfolio.

Roger Ochs, president of HD Vest Financial Services, a non-bank subsidiary or Wells Faro & Co. based in Irving, Texas, has seen a similar trend.

"It really aligns the client on the same side of the table as the advisor," Ochs explained, adding that a new development is that some fee-based advisors are not interested in offering commission-based products at all.

“Often what happens in the relationship that the advisor has with a client is very longstanding, and the client really wants to have ongoing advice and is willing to pay for that ongoing advice. A commission-based arrangement is more of a transaction, as opposed to an ongoing relationship. So they’re not officially on reainer.”

Accounting firms and CPAs are also apt to hire from the outside to bring in a financial planning experts, in an effort to offer those services to their clients.

“There’s a big difference between the larger CPA firms and the smaller firms,” said Mike DiGirolamo, managing director for the investment advisors division at Raymond James Financial Services, a St. Petersburg, Fla.-based company. “The smaller firms, a lot of times, try to do it themselves, and they have to use turnkey asset allocations or money-management systems. Whereas when you have a larger CPA firm, we see them employing advisors who are primarily financial planners and asset managers within the firm to handle the relationship with the broker/dealer. We see a trend toward the CPA firms partnering with professional in financial planning and bringing them and employing them to work with their clients.”

Stevens of 1st Global said that more CPA firms are looking to “leverage borrowing expertise” in an effort to inch into the financial services area.

“I think the old answer was, ‘We’ve got to do this ourselves’ or ‘Our firm needs to build a new division,’” Stevens said. “I think that a lot of firms are saying, ‘It sounds great, but if we can leverage and advisor who works with us part-time, may be that’s the way to get started.’”

RECRUTING EFFORTS

At RJFS, recruiting efforts to towards CPA firms that have an existing RIA and are in the financial planning or wealth-management business already as a separate part of their CPA firm according to DIGirolamo. Approximately 20 percent of his company's advisors have some sort of CPA affiliation, and in order for RJFS to set up a working relationship, a CPA or CPA firm must have at least $30 million under management.

A new wealth management group was formed in December specifically geared for advisors to attract and service high-net-worth clients with investable income of more than $5 million. In this group, issues such as hedging strategies, private insurance, alternative investments, purchases and sales of businesses, cash management programs, and asset management will be addressed.

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