

**Leonard  
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How you can profit from strategic relationships.

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by Leonard Wright, CPA, PFS

The time has come to take stock of the options that Certified Public Accountants (CPAs) have for their clients' financial planning needs. Whether it is incorporating a financial-planning practice in a firm, partnering with a CPA financial planner or referring business to a CPA financial planner, never has there been a greater number of resources and guidance to help the CPA firm develop an additional service line, the sole practitioner to develop a new practice for the benefit of clients and colleagues or for CPAs to cultivate relationships with CPA financial planners to work with the CPA, PFS to help ensure that their client is well cared for.

Many thousands of CPAs across the United States practice financial planning, a profession with many facets ([Table 1](#)). For years, members of the accounting profession have taken tepid steps forward only to step back to evaluate what may be appropriate for the firm and for their suite of services provided. Recognition of barriers is the important first step to the integration of financial planning into an additional practice line within the firm. A greater focus should be examined on what is making CPAs overwhelmingly successful with their clients; the holistic approach that CPAs across America take when engaging with clients. The anecdotal evidence points to the clients of CPAs being in far better shape than most as it applies to their clients' finances. When it comes to barriers, one key obstacle is a lingering discomfort with the misinformed notion that CPAs would recommend specific product. Others are more fundamental. There may be a cultural clash within firms between the profession of financial planning and the more traditional services. During the ramp-up years, there is a feeling that the financial-planning practice is being subsidized due to the revenue streams achieving insufficient results when compared to traditional lines of the practice; usually for the first five years. When the building of the practice is complete, the CPA financial planner enjoys a significantly greater revenue stream and the work hours may not match the other areas of traditional practice.

In addition, others may find it difficult to distinguish the profession of CPA financial planning from the financial services industry. In fact, the very possibility of a loss in a portfolio increases trepidation. While many non-CPA financial planners have a primary focus on investments, there are key aspects that separate CPAs from the financial services industry, including the deep tax knowledge they bring to the table, the holistic approach of covering all elements of a client's financial plan as well as a high standard of care. There has been talk of how the fiduciary standards may not be applied to certain financial planners and exempting some relationships from fiduciary standards that focus on one or two areas of financial planning. The discussion among CPA, PFS financial planners is not how to escape fiduciary responsibilities with their client, but rather questioning the appropriateness of escaping fiduciary responsibility in financial planning, even if only a couple of the elements of the financial planning process are engaged.

Regardless of how we feel about the investment side of planning, the reality is that markets rise and fall and that most money is made in a down market, which is counterintuitive. If we lose a fraction of what the S&P 500 loses, then we don't have to come back nearly as much and can give significant benefits to our clients on the rebound. The 58 percent market drop this last time around requires a greater than 100 percent return to get back to even. CPAs in financial planning understand what risk is, how to explain it to clients and help clients assess their risk and position assets that are consistent with their risk tolerance.

Make no mistake about it. There are plenty of balanced portfolios that have similar risk characteristics to being fully invested in the stock market. I would suggest that any CPA who does not currently have a professional relationship with a CPA, PFS (Personal Financial Specialist) to pick up the phone and have a CPA, PFS financial planner explain why financial planning is based on the very powerful questions identifying what the client's mission, values and goals are before they recommend specific strategies and products in all aspects of planning. To find a PFS in your neighborhood, go to <http://www.findapfs.com>. For investments, spend some time with a CPA, PFS to discuss risk, portfolio volatility and the steps the CPA, PFS goes through to ensure that clients are well positioned to weather any economic storm. Any perception of similarity between CPA financial planners and the financial services industry is

not only incongruent with reality, it could very well invalidate in excess of 100 percent of the benefit clients derive from your tax-and-accounting expertise. The comparison is similar to CPA tax preparers and enrolled agents. While we would all agree that enrolled agents provide important and valuable services to society and recognize that some enrolled agents can stand shoulder to shoulder with CPAs preparing taxes, generally there is a significant additional benefit that CPA tax preparers bring to their clients.

Given the markets that have always been volatile throughout American history ([Table 2](#)), clients cannot afford to risk working with those who consistently demonstrate a heavy bias toward firm products that vanish into the haze after they post inferior results. While it is recognized that across America firms provide some very important products, CPAs apply analytical tools and due diligence to evaluate specific investment options to ensure that the client receives service in an unbiased and objective environment. As I travel across America, I have borne witness to CPA, PFS after CPA, PFS who delivered dynamically different results from their non-CPA peers. This is not to say that there aren't any extraordinary non-CPA financial planning practitioners, because there are. However, on the whole, the CPA, PFS has a background and experience that is significantly more beneficial to clients than the non-CPA financial planners.

CPAs tend to focus on a variety of issues and take time to explain the most critical areas of investment planning. Just three technical areas discussed involve risk and the specific dollar impact that ups and downs can have on a portfolio with 95 percent confidence, what makes a good long-term investment and set the table on how money grows over time (the power of compounding) This is a brief sample of just one area of financial planning.

If firms recalibrate their perspective toward financial planning, it will come with the recognition that it is a terrific time for accounting firms to evaluate and add financial services as an additional service line for clients or when a conflict arises, to work with other CPA firms to work together in an environment to deliver superior planning services to their clients.

#### **CPA Financial Planning Credential: Personal Financial Specialist**

The financial planning credential for CPAs is the [Personal Financial Specialist](#) (PFS). The PFS may be obtained by meeting minimum education, experience and examination requirements in addition to holding a CPA license. Through December 31, 2010, the PFS examination requirement can be met by successfully completing one of six qualifying exams (PFS, Series 7, 65, 66, ChFC, CFA or CFP). In 2011, the series exams and CFA will no longer meet the examination requirement.

CPAs who qualify are licensed by their state, have passed a series of exams (including the CPA exam) that tests significant comprehension, have applied the knowledge of the exam through the highly technical application of the practice of accountancy experience and have standards and ethics that are among the most respected of any profession nationally. They are likely also to be regulated for financial planning by their state or U.S. Securities and Exchange Commission (SEC).

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**[Leonard C. Wright](#)**, CPA, PFS, CFP, CLU, ChFC, is a Money Doctor for the AICPA and immediate past chair of the CalCPA State PFP Committee. He co-hosts Financial Fridays on AM 670 in Las Vegas, Nevada, where he features America's and Nevada's top CPAs in industry, financial planning, politics, and various other specialties. He has appeared on Channels 8 in Las Vegas, Nevada and Channel 7's annual tax tip line in Los Angeles, California, has numerous radio interviews across the United States, appeared in USA Today.com, quoted in the Wall Street Journal, Forbes, BusinessWeek, Time, Bloomberg, FiLife, MSNBC.com, MarketWatch.com, and has been a resource to The Orange County Register business department. He is currently a member of the AICPA Ambassador program and has communicated to the press the positive impact for the investing public of Chairman Christopher Cox's XBRL initiative. He appeared as the first non-public retirement plan guest panelist presenting alongside the Department of Labor out of Washington D.C. and the head of the Internal Revenue Service Audit Division for the Western United States.