

WHITEPAPER

Beyond Tax Prep: Options for Client Service Expansion

Partnerships can help accountants' breadth and reach to create better outcomes for the firm and its clients



For many accounting firms, it's not enough to focus solely on core tax preparation services. To drive revenue and growth and better serve clients, an increasing number are focusing on a broader suite of offerings including tax solutions and financial planning services. However, it can be challenging for time- and resource-strapped firms to match a common set of services to the varied needs of an existing and expanding client base. To widen their platform of client solutions successfully, some accounting firms are considering combining in-house resources with professional partnerships.

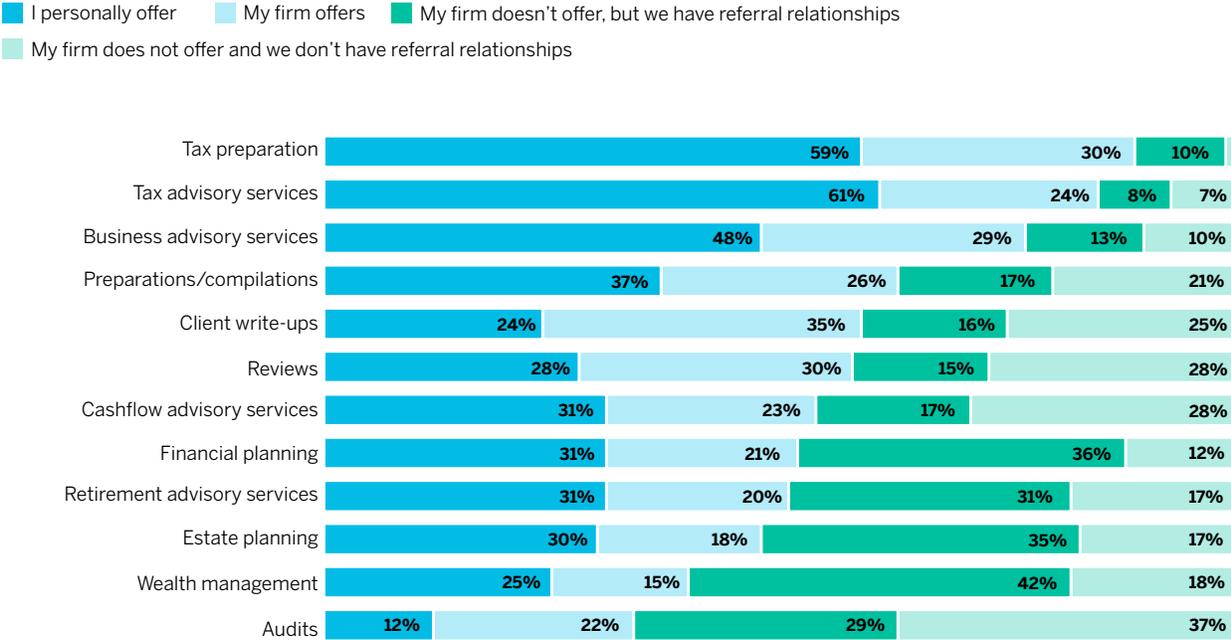
In December 2023, Arizent — the parent company of Accounting Today — surveyed 100 accounting professionals on behalf of Choreo to better understand how advisory services fit within firms' existing practices. The results spotlight opportunities to take greater advantage of the intersection of tax planning and advisory client needs to the benefit of firms and clients alike.

Service offerings tend to be concentrated, especially at smaller firms

In what is not a surprise, the most commonly adopted service areas at accounting firms have been in the tax-related areas traditionally at the core of these practices: tax preparation, tax advisory services and business advisory services (see Figure 1). To expand beyond these offerings, firms face a key challenge: their clients have widely varied needs. Attending to all of those needs effectively could easily require resources firms do not have access to in-house.

Where services require expertise outside of the typical domains in which accounting firms have historically operated, firms are less likely to provide services in-house and instead lean on referral relationships to direct clients to someone who can help. Notably, some firms are leaning on referral relationships to provide relatively widespread client needs such as wealth management, estate planning and retirement advisory services.

Figure 1: How Firms Provide Common Services to Clients



Data labels not shown for values less than 5%
 Source: Arizent/Accounting Today, 2023

As one might expect, larger firms with more than 20 employees are more likely to be able to tap the resources available to them in-house to offer a broader array of services than smaller firms. With the limited resources at their disposal, smaller firms clearly need to choose their potential areas of expansion thoughtfully – and determine the best way to offer those solutions.

Accountants are focused on growing client base

Given firms' plans to drive business, the discussion of service solutions is more relevant than ever. Nearly three in four firms plan to grow in 2024 and to support this strategy, 63% of respondents intend to expand their client base. Another 37% plan to cross-sell services to their existing clients. In either case, firms will need to be able to provide a range of wanted and needed service solutions to their new and existing clients if they want to get those clients in the door and keep them there.

However, for a percentage of survey respondents adding more solutions to the mix does not appear to be a high priority. Their growth plans are less likely to include key catalysts for expanding service solutions. Consider that only 20% of accounting professionals plan to increase headcount to provide new or existing services and just 16% intend to partner with outside vendors or specialists to provide new solutions to their clients. Further, only 10% plan to integrate new technologies that could increase efficiency and free up resources for enhanced client support.

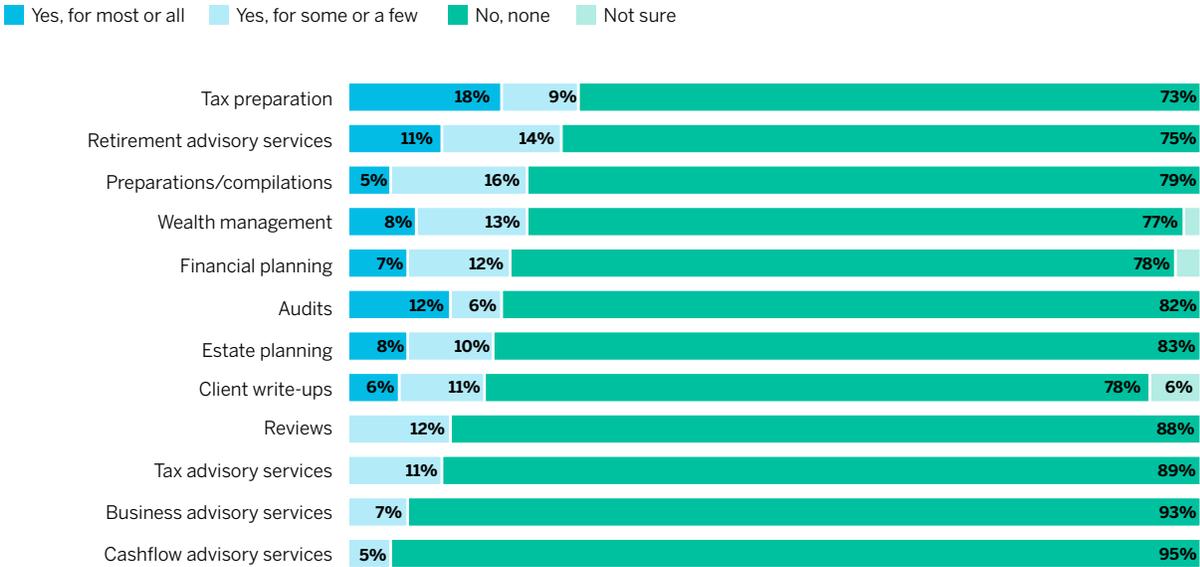
Without committing resources to an expanded service solutions, most firms appear focused on supporting the core set of services they are already capable of providing. There may be a few reasons for this. For one, with firms that offer services beyond tax, there is a tremendous amount of potential for cross-sell/upsell. For example, those that offer wealth management and/or financial planning services report that only about a third (33%) of their clients make use of those services on average and about one in four (23%) make use of retirement advisory services when they are available.

Firms may not always be well-equipped to offer advisory services in-house

Another issue for firms: Only 18% of respondents say they are fully equipped to provide any service a client might need or want beyond simple tax preparation. While 84% of accountants say they have access to the resources they need to support advisory support services this execution frequently comes from outside the firm. In particular, firms turn to external resources for investment advice and portfolio planning (45%), creating a financial plan (48%), tax advice for life events like divorce or marriage (43%) and estate planning (44%).

This external support sometimes takes the form of one-time referrals, which can certainly be a solution but may not be exactly the arrangement that some firms and clients are looking for. “Outbound referrals that hand clients off from one entity to another may not work as well for some accounting professionals and their clients as a partnership where the accounting firm stays in the loop,” says David Winslow, Managing Director, Wealth Management at Choreo. These arrangements may not be as financially beneficial for accounting firms as they could be either. Firms report that referrals rarely result in compensation (see Figure 2).

Figure 2: Few Referral Relationships Involve Compensation



Data labels not shown for values less than 5%

Source: Arizent/Accounting Today, 2023

The power of partnership networks

Whether accountants are looking to add bandwidth for services already on offer or add a new range of services, partnership networks offer access to experts capable of providing solutions across a wide range of client needs. These partnerships can link firms and their clients to professionals with needed skillsets and experience supporting CPA firms. Further, a partnership capable of tapping expertise nationally makes it possible to connect with professionals across the country.

It's also possible to structure these relationships flexibly so that firms get compensated for directing clients to these partners. "Partnership networks that foster collaboration give firms a platform of solutions without having to implement everything in-house," says Clint Costa, Senior Wealth Strategist at Choreo. "As a result, firms can benefit financially from a strategic alliance that improves their ability to meet client needs."

Partnership Expertise

It's important to consider all of the expertise a partner may be able to bring to the table on behalf of you and your clients. Here are a few examples of such topic areas:

Estate planning

- Wealth transfer and estate tax savings
- Blended families
- Long-term care
- Trust advisory services

Retirement planning

- Distribution strategies
- Business succession
- Roth conversions
- Nonprofit accounts
- Asset allocation

Wealth planning

- Asset protection (structuring and insurance)
- Liquidity management
- Investment allocation
- Portfolio management

Methodology

This research was conducted by Arizent and Accounting Today and paid for by Choreo, LLC. The primary objective of the research is to better understand how advisory services fit within the practices of accounting firms. Research was conducted online during December 2023 among 115 qualified accounting leaders. To qualify, respondents must work at a tax or accounting firm in at least a director-level role. This was a blind data collection effort. Choreo was not identified as a sponsor of the research to those surveyed. Not all survey data is shown and the highlighted results and information were prepared by Accounting Today specifically for use by Choreo. Choreo does not offer all services listed above.

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