



# Wealth Management for Tax and Accounting Professionals

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# Adding Wealth Management to Your Practice: Simple Addition?

Over the last couple of decades, the number of tax and accounting professionals offering wealth management services to their clients has grown significantly. Currently, a quarter of CPAs are registered and offer wealth management to their clients, and an additional 28 percent of unregistered CPAs plan to offer those services in the next few years. That means over half of all CPAs are planning to offer, or are already offering, wealth management services. Clearly this trend is gaining momentum. Of course, tax and accounting professionals considering expanding or adding wealth management to their practices must consider if the effort will be worthwhile and identify the barriers to entry and growth.

To gain a better understanding of the trend, Cetera Financial Group sponsored a study by Northstar Research Partners, an independent market research and consulting firm, which was used to develop this white paper. The study was conducted in June 2010 using online and telephone interviews to gather responses from 137 registered professionals offering wealth management services (84 CPAs and 53 enrolled agents), and 282 unregistered tax professionals who would consider offering such services (158 CPAs and 124 enrolled agents). Registered professionals were defined as those either holding a Series 6, 7 or 65 registration or registered as a solo registered investment adviser.

*“Nearly 60 percent of CPAs say they believe they will need to provide a greater variety of services in the coming years.”*

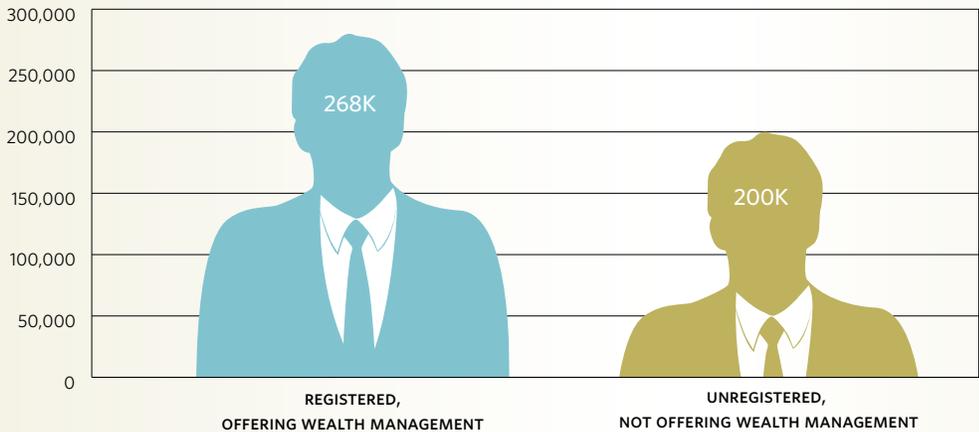
- CPA Horizons 2025 report, which aimed to identify trends in the CPA industry

# What's Driving the Trend Toward Wealth Management?

Like most other small businesses, tax and accounting professionals are continually looking for ways to grow their practices, be it through client acquisition, expanding the breadth of their offering, or both. Many of these professionals have come to recognize wealth management as a natural extension of the services they already offer. In addition, the economic downturn that started in 2008 gave tax and accounting professionals enhanced opportunities to further support clients seeking to protect their assets and increase their earning power.

Those who have made the move into wealth management are actively building this area of their practice, with 90 percent of registered respondents devoting at least some focus to growing their wealth management practice. And it's no wonder, registered tax and accounting professionals earn significantly more than those who have not added wealth management to their practices. The average annual personal revenue for registered tax professionals offering wealth management services is \$268,000, compared to \$200,000 for unregistered tax professionals (Figure 1).

**FIGURE 1 | AVERAGE ANNUAL PERSONAL REVENUE FOR TAX PROFESSIONALS**



# Adding Wealth Management— Impacts on Practice Management

While the registered tax and accounting professionals in our study did not or were not able to cross-sell wealth management to all of their clients, they did successfully market these services to 29 percent of them. Those efforts were rewarded, as about 30 percent of their revenue came from that side of their practice. Additionally, it is important to note that more than a third responded that those wealth management services were contributing an increasingly larger portion of their business revenues.

While the equity markets have rebounded since 2010, market volatility, domestic economic challenges and global uncertainty are all still prevalent and top-of-mind for investors. For those reasons, we believe the potential for tax professionals to grow the wealth management portion of their practices is likely to increase. Indeed, tax professionals are in an enviable position to steer growth because their role as trusted advisor presents an ideal opportunity to reach out to new and existing clients to discuss wealth management services.

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# One Way to Deepen the Conversation: Expand Offerings

Registered tax and accounting professionals may not be offering a full suite of wealth management services. In fact, as shown in Figure 2, only two of the financial products and services examined in our study were offered regularly by more than two-thirds of registered professionals, regardless of (AUM) Assets Under Management. Most were regularly offered by fewer than half of the professionals surveyed.

**FIGURE 2A | PRODUCTS USED**

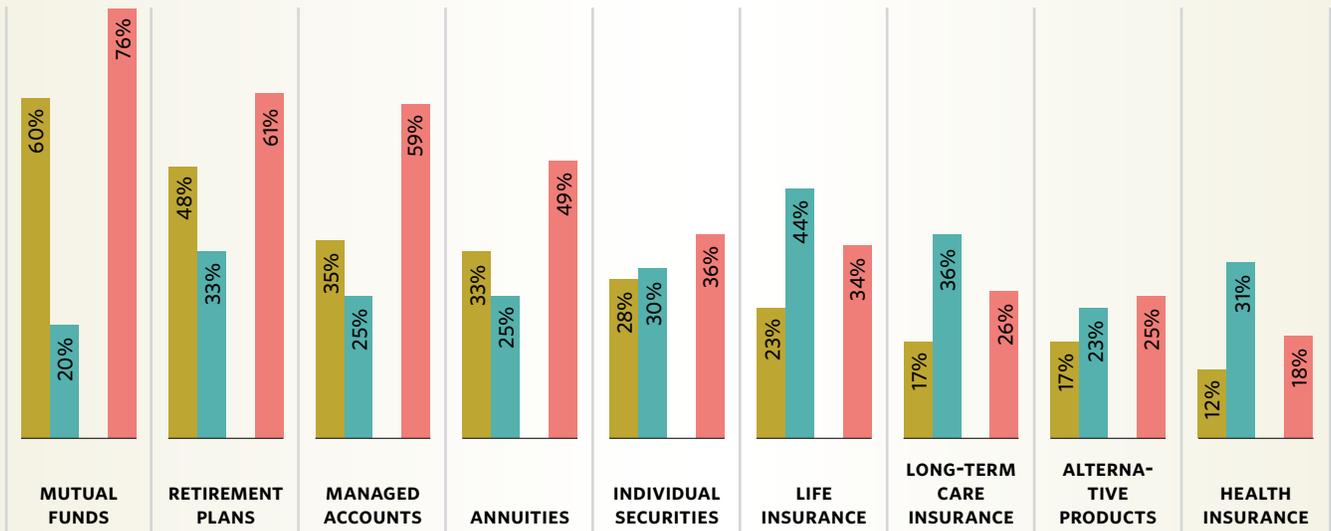
dollars in millions

Source: Northstar Research Partners

Base: licensed tax and accounting professionals

**All Registered Representatives**  
**Registered Representatives with More than \$5M in Assets Under Management**

Offer Regularly Offer Occasionally Offer Regularly



**FIGURE 2B | SERVICES OFFERED**

dollars in millions

Source: Northstar Research Partners

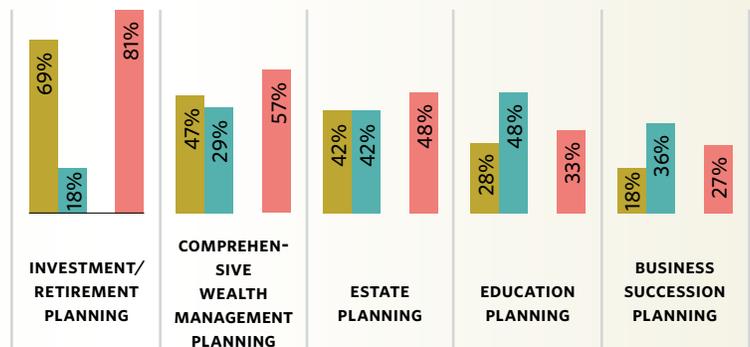
Base: licensed tax and accounting professionals

**All Registered Representatives**

Offer Regularly Offer Occasionally

**Registered Representatives with More than \$5M in Assets Under Management**

Offer Regularly



This may reflect limits imposed by firm size, be a function of time allotted to this part of the practice, or result from a mesh of other interrelated factors. However, it indicates that professionals already in the wealth management space have opportunities to further grow and differentiate their practices.

The benefits of broadening the suite of services offered are clear as larger practices—those with \$5M or more in AUM—are far more likely than smaller practices to offer a range of financial or investment products and services.

While there is quite a bit of variation in terms of its role within wealth management practices, more than 4 out of 5 registered tax professionals (83 percent) have made fee-based business part of their practice (Figure 3). On average, fee-based business comprises 44 percent of wealth management revenue. Fee-based revenues are a higher percentage for larger practices (54 percent for practices of \$5M or more in AUM, 36 percent for those under \$5M), but these figures indicate considerable room to increase the profitability of practices through additional focus on managed products.

### FIGURE 3 | PERCENT OF REVENUE THAT IS FEE-BASED

Source: Northstar Research Partners



Base: tax and accounting professionals licensed to offer wealth management services

## You May Already Be Offering Wealth Management Services— Be Sure You’re Getting Compensated!

Of the three-quarters of unregistered tax and accounting professionals who do not currently offer wealth management services, slightly more than two-thirds (68 percent) would at least consider it.

However, the vast majority of these professionals are, essentially, already in the wealth management space, with 83 percent referring clients to financial services firms or other financial professionals! Unfortunately, most are not being compensated for these referrals. Whether you are interested in entering wealth management or not, be aware of the opportunities to reap referral fees. As the agent of the referral, you deserve to be compensated. It’s a win-win-win situation for you, your client, and the professional you referred them to.

# Challenges to Practice Growth

The majority of registered professionals (61 percent) report satisfaction with their wealth management practices; the remaining 39 percent acknowledge room for improvement. In fact, as shown in Figure 4, these registered tax professionals desire better support in a variety of categories, with the strongest needs clustered around marketing, planning, and education.

**FIGURE 4 | AREAS IN WHICH REGISTERED PROFESSIONALS ARE SEEKING SUPPORT**

Source: Northstar Research Partners



Base: licensed tax professionals

For example, while formal business or marketing plans are basic to all types of businesses, only half of registered tax and accounting professionals have them. Although marketing plans may be intimidating to produce, those branching out into offering wealth management services or growing their existing practice should consider preparing them. The right business partners, such as a broker-dealer, can help you develop plans to cross-sell your existing tax and accounting clients and target new prospects for your wealth management practice.

The third or so of registered professionals who were looking for more product education might also do well to turn to their broker-dealers. While continuing education programs should provide the basics, a well-equipped and well-capitalized broker-dealer should be able to offer local or regional training opportunities, as well as additional sales and product support, to provide their advisors with the confidence that they can give their clients the right investment advice and the right products.

***“In general, I think most CPAs are coming from a tax background, and they need more education on the investments and insurance side.”***

- Lyle Benson, on executive committee of the AICPA’s wealth management section

# Challenges to Entry

As with any industry, there may be challenges that bar the less dedicated from entering the field. Those unregistered professionals who are interested in offering wealth management identified their top two barriers to taking the plunge: regulatory concerns and the lack of time to devote to building a new area of expertise (Figure 5). Both these issues can be addressed by partnering with a good broker-dealer. In addition to compliance solutions that can remove much of the regulatory burden from a practice, a broker-dealer should be able to deliver ongoing education, practice management tips, customizable marketing materials, client and prospect outreach campaigns, and much more.

**FIGURE 5 | HURDLES TO OFFERING WEALTH MANAGEMENT SERVICES—PERCENT CITING AS A MAJOR BARRIER**

Source: Northstar Research Partners



*Base: unlicensed tax professionals who do not offer wealth management services but would consider it*

To minimize the learning curve, many tax and accounting professionals look for a broker-dealer that offers a turnkey investment solution (as opposed to one in which the advisor would need to actively manage the assets). The quality, flexibility and choice of these programs can vary greatly from firm to firm, and even within a single firm's offerings. Account minimums, fees, investment manager expertise, breadth of portfolio strategies and the quality of research going into those strategies should all be evaluated to ensure there is a program that is a true fit for a practice's ideal client.

# The Truth Is, Finding the Right Broker-Dealer Is Critical to Success

Given their need for various types of products, support and education, it's not surprising that registered tax and accounting professionals strongly prefer independent broker-dealers (IBDs; see Figure 6) to other partners, finding that IBDs can offer essential and nice-to-have services without compromising independence. But finding the right broker-dealer has proven to be difficult for some. One-third of IBD users have switched broker-dealers at least once, and nearly one-quarter say they are likely to switch providers or add another in the future. In light of the financial and opportunity costs of transitioning one's practice to another firm, exploring all reasonable options and spending the time to find the right fit is well worth the extra effort.

## FIGURE 6 | APPROACH TO OFFERING WEALTH MANAGEMENT

Source: Northstar Research Partners



Base: tax and accounting professionals licensed to offer wealth management services

For our respondents, the right broker-dealer certainly needs a solid reputation and superior ongoing education. And the rest of the top-10 criteria for broker-dealer selection, shown in Figure 7, would certainly benefit, if not be critical to, most any tax and accounting professionals offering wealth management services.

## FIGURE 7 | BROKER-DEALER SELECTION CRITERIA—PERCENT RATING AS IMPORTANT

Source: Northstar Research Partners

72%

THE FIRM'S  
REPUTATION

64%

OUTSTANDING ONGOING  
EDUCATION

57%

LOCAL OR  
REGIONAL SUPPORT

54%

BACK-OFFICE  
SUPPORT

54%

SOLUTIONS FOR SMALL  
BUSINESS CLIENTS

53%

MARKETING  
SUPPORT

52%

ABILITY TO SUPPORT  
YOU WITH BOTH TAX AND  
WEALTH MANAGEMENT  
SERVICES

51%

PAYOUT

51%

THE ABILITY  
TO USE YOUR  
OWN BRAND

50%

HAVING MULTIPLE  
FEE-BASED INVESTMENT  
PLATFORMS

*Base: tax and accounting professionals licensed to offer wealth management services*

Finding the right broker-dealer partner is a personal choice—you need to create your own selection criteria and then conduct research through credible sources, drawing on your network of peers to find those whose opinions you trust. How do they like their partner firm? What made them choose it? Would they have made the same choice again? A little extra research now can save you a lot of headache later.

## Conclusion

It seems the trend for tax and accounting professionals to move into the wealth management space will continue—the opportunities for enhanced customer service and greater earnings potential are likely to be too attractive for many to pass up. But those looking to expand their offerings should consider how they will go about doing it. Teaming with an independent broker-dealer is not only the most widely chosen option based on our study, but it is also likely to be the path least fraught with complications—if you choose wisely. The right broker-dealer can deliver not only the regulatory oversight, education, marketing, products and support that our respondents found to be barriers to entry or growth, but can also put you in the fold of a peer-to-peer community of other like-minded professionals who can further shorten your learning curve. Understanding your value proposition as well as the wealth management services you will need to deliver it to your clients—and having frank talks with your peers—can help you narrow down your options and improve the likelihood that you will only have to choose your broker-dealer once.

For more information,  
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**About Cetera Financial Specialists**

Cetera Financial Specialists LLC partners with more than 1,800 tax and accounting professionals who have successfully integrated wealth management into their practices. Cetera Financial Specialists, a full-service broker-dealer, and Cetera Investment Advisers LLC, an SEC registered investment adviser, offer a wide array of solutions and exceptional back-office support to financial advisors, so that they can focus on their clients.

Cetera Financial Specialists, a part of Cetera Financial Group, Inc. is a member of the Securities Investor Protection Corporation (SIPC) and a member of the Financial Industry Regulatory Authority (FINRA). For more information, visit [www.ceterafinancialspecialists.com](http://www.ceterafinancialspecialists.com).

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Northstar is an independent global market research firm with offices in New York, Toronto and London. Northstar conducts studies across a wide range of industry sectors and is a recognized leader in financial services research. For more information, please visit [www.NorthstarHub.com](http://www.NorthstarHub.com).