

5-Step Roadmap to Becoming an Advisor

The accounting and tax business faces major disruption due to changing client expectations for a one-stop shopping approach to financial services. Remaining relevant requires becoming the epicenter of your clients' financial lives.

One-stop shopping from Amazon and on-demand services from Netflix and Uber may seem at first glance to have little to do with accounting and tax preparation—but they are inexplicitly linked. Consumers have been empowered to dictate how they interact with businesses and the type of experiences they want. Those expectations impact retailers, entertainment providers, and yes, even accounting and tax service professionals.

Within the next three to five years, the accounting and tax preparation industry will look very different than it does today as consumers demand a frictionless experience and real value. They don't want to settle.

In this changing consumer landscape, accounting and tax professionals will need to think more broadly about their client relationships and the value they bring. Consumers increasingly want a one-stop approach to their finances rather than relationships with multiple professionals. They want individual, customized advice from someone they trust.

One of the most powerful ways to remain relevant to clients is to offer personalized, holistic advice that goes beyond tax planning and preparation to include wealth management services.

HD Vest commissioned SourceMedia to conduct a survey asking accountants and tax professionals to relate their expectations, challenges, and experiences with offering wealth management. What we found is that while many would like to offer wealth management to clients, they are stuck in limbo. They recognize that they are missing out on opportunities to better serve clients, create new revenue streams, and protect their business from disruption, but they simply aren't confident in their ability to move into financial services and wealth management.

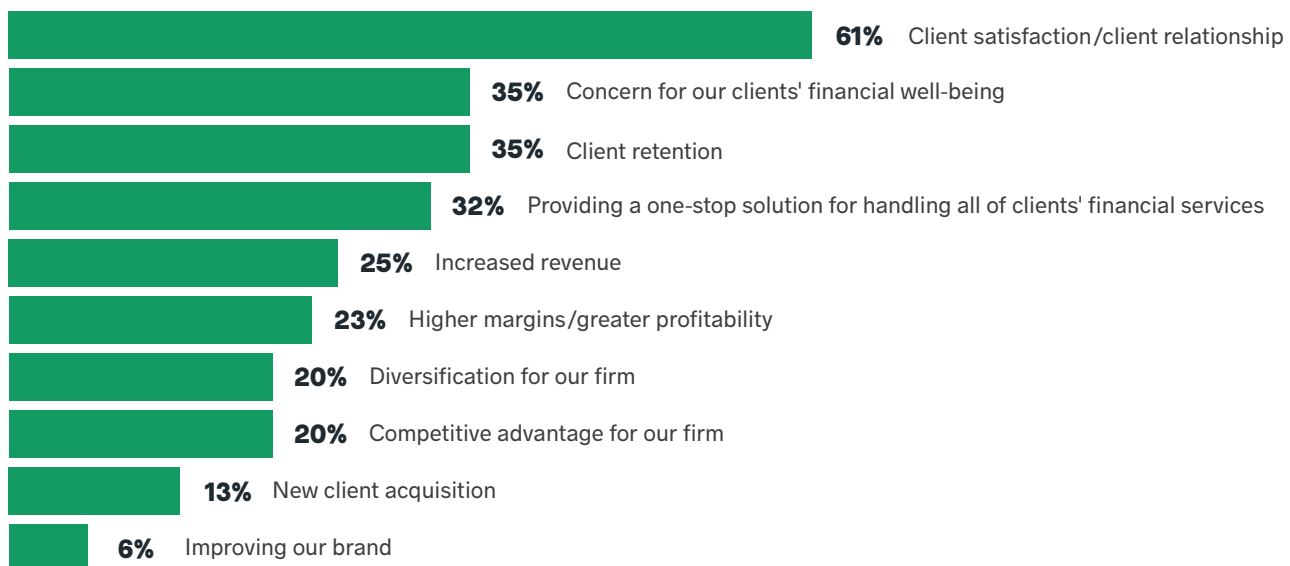
This whitepaper will explore how accounting and tax preparers view wealth management, the challenges they anticipate in offering these services, and highlights tools and resources they can use to transform their firm from a transactional accounting and tax business to a true wealth management business.



Why become an advisor?

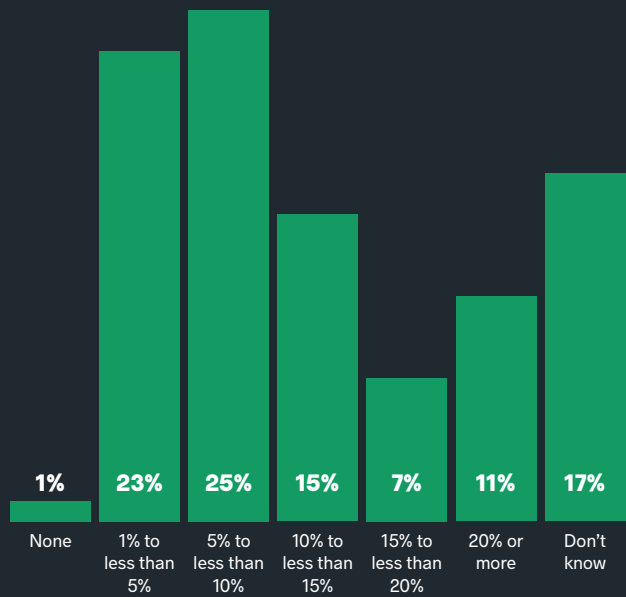
If you are offering or considering offering wealth management services, you're in good company: 78% of accountants and tax professionals say they are interested in expanding their tax business.

Firms that have added wealth management to their practice are seeing added value. For 61% of firms, the top benefits are improved client satisfaction and deeper client relationships.

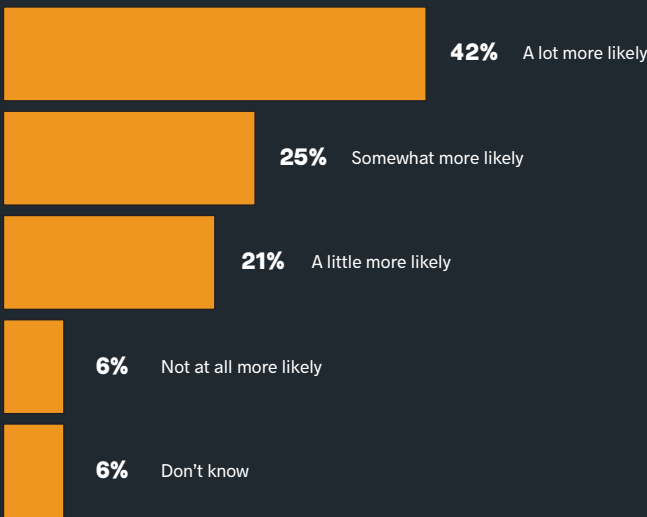


Revenue increases and customer satisfaction improvements are substantial. Almost half (48%) of firms say revenues have increased up to 10%, while 33% have experienced revenue growth between 10% and 20%. The majority of firms (88%) say that they are more likely to retain clients with these services.

Revenue growth after adding financial services/wealth management



Likelihood of retaining clients by offering financial services/wealth management



How to Move Forward: 5-Step Roadmap to Success

Ready to take the leap but worried about the challenges? Here's a step-by-step roadmap to adding wealth management to your business, helping you become the epicenter of your clients' financial lives.

1. Do your research

Most accounting and tax professionals who don't yet offer wealth management simply don't feel prepared, mostly due to lack of knowledge.

However, there are many resources you can tap into to prepare to offer financial services and wealth management. Accountants and tax professionals value the guidance they get from other professionals, including their broker dealer or registered investment advisory firm, colleagues and peers, and other financial services professionals. A significant number also give high marks to website research, continuing professional education (CPE), and seminars and conferences.



Take Action: While tapping online resources can be helpful in the beginning stages of researching financial services and wealth management, be sure to move

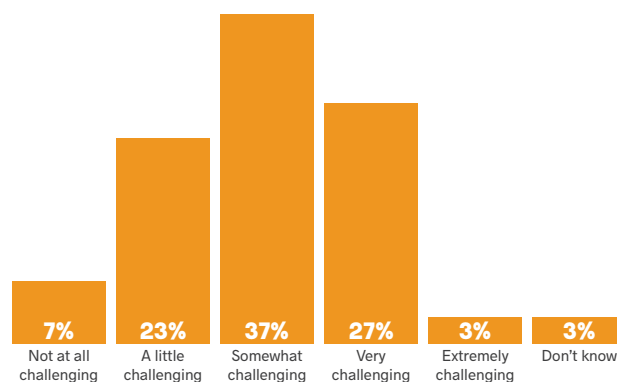
beyond the virtual world and speak directly to other professionals and peers.

Broker/Dealers such as HD Vest Investment Services have consultants with direct experience working with firms and can share best practices and real-world examples of how other firms have successfully expanded their accounting and tax services.

2. Get schooled on licensing and compliance

When exploring what they need to do to offer wealth management, 80% of survey respondents say they are most interested in learning about licensing requirements. And most find the entire due diligence process challenging.

Said one survey respondent, "It's challenging to get a handle on the licensing requirements along with revenue sharing rules."

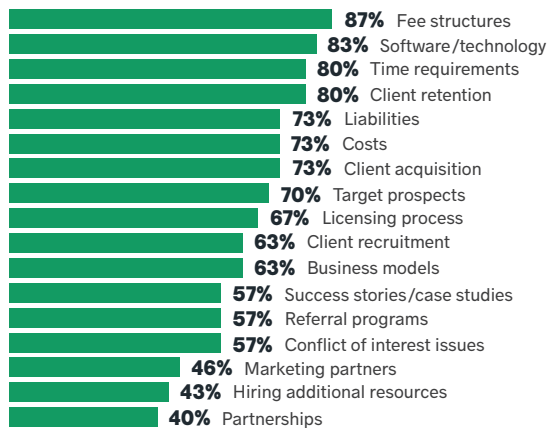


Take Action: Licensing should not be a major stumbling block; most accountants and tax professionals pass their first exam. Consider licensing as critical education to improve your ability to help clients.

Also, firms such as HD Vest provide educational materials such as video lectures, study guides, and practice exams. HD Vest consultants also schedule weekly calls to review exam content, provide tips to maximize your study time, and offer strategies to help you ace your exam the first time.

3. Know how to charge

Most accounting and tax professionals are comfortable with hourly billing, but many financial advisory professionals are using other billing models, such as billing based on assets under management or a yearly retainer. As a result, most accountants and tax professionals say setting fee structures for wealth management is a concern with 87% interested in learning more about fees.



Client education is important in changing your fee structure, but once clients understand the value they are getting, the vast majority embrace new billing models. Said one survey respondent, “Once you decide to offer wealth management services, think about how you will explain to clients that this isn’t part of the normal tax preparation service and there will be an extra charge.”

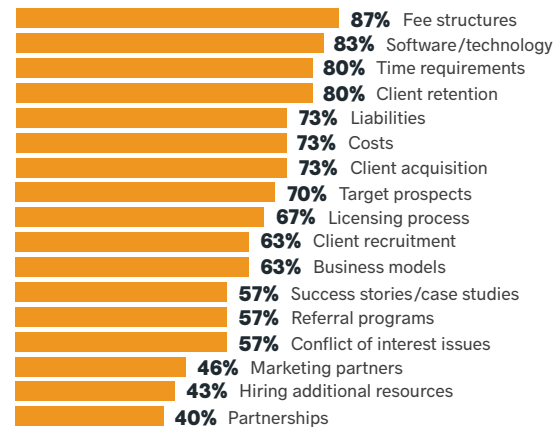
Take Action: Billing hourly limits your growth: you’ll need to either work more hours or charge more per hour. Financial services and wealth management allow you to charge for the value you deliver in improving clients’ financial positions. Research different billing options, but don’t simply default to the billing method you are most comfortable with.

4. Know what technology you need to run the business

Accounting and tax professionals struggled with researching the need for resources. “Assessing the need to offer wealth management hasn’t been the

issue—we know we need to—but the challenge has been assessing our ability to provide those services,” one survey respondent told us.

After fee structures, researching software and technology was a priority for 83% of survey respondents.



It’s very likely that you already have part of the technology puzzle: tax software that can identify client tax vulnerabilities. But most firms will need to invest in financial planning software that allows them to turn those vulnerabilities into opportunities by incorporating tax advantaged strategies into a financial plan.

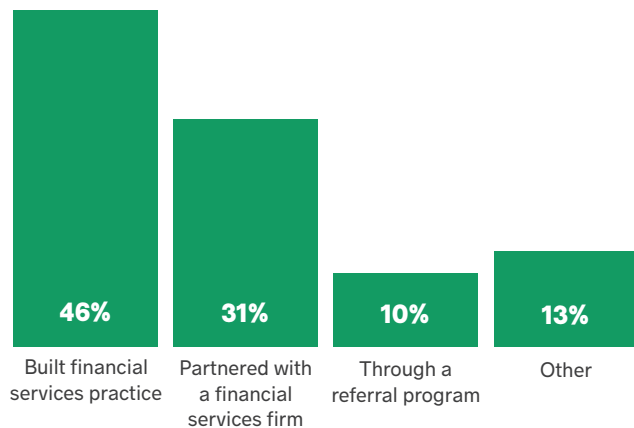
Technology can automate repeatable processes so you can avoid the problem faced by one survey respondent who noted, “My biggest challenge is not reinventing the wheel with every engagement.”

Take Action: Having both tax planning and financial planning software puts you at an advantage over competitors that have just one, or the other. Look for software that streamlines processes, such as account opening, portfolio management, and financial plan development. These processes should be repeatable to make you as efficient as possible and able to spend more time in front of clients and less time in front of a computer screen.

HD Vest’s mission is to give independent advisors a clear view of each client’s overall financial picture. They offer tools such as Envestnet and eMoney Advisor as part of your technology solutions to help you engage with clients more holistically.

5. Decide whether to evaluate partners or build your practice in-house

Accounting and tax preparation firms have several ways to build their financial services and wealth management practice. Almost half (46%) built their financial services practice internally and 31% partnered with an existing financial services firm.



More than two-thirds (67%) of accountants and tax professionals say that evaluating partners takes time, but is critical to the success of the financial services practice.

Take Action: Assess the amount of time and resources you have, how many services you will provide, and client needs. If your firm is small, it may make sense to start with a partnership program to leverage shared resources and office staff. But a multi-partner firm with office staff and assistants should be able to implement financial services and wealth management on their own.

HD Vest's Strategic Partners program pairs accounting and tax professionals who want to offer wealth management with financial advisors who want to expand their services. With a partner, you can expand your services and offer a holistic financial solution to your clients.



Conclusion

Those accounting and tax preparation firms that have added wealth management to their menu of services are glad they did, with three-quarters (76%) saying that it is important to their overall business and 72% saying they are interested in expanding their current financial services and wealth management business.

Says one survey respondent, "We are our clients' trusted advisor and they want us to work with them on their wealth management planning and advising." Another says that wealth management cements the client relationship. "If we do their taxes, estate planning, retirement planning, and manage all their money, then we are the go-to firm for anything financial in their lives."

But perhaps most important, providing comprehensive financial services readies accounting and tax preparation firms for the inevitable transformation in the industry due to changing client expectations. Remaining relevant means disrupting the status quo.

About HD Vest

Since its inception in 1983, HD Vest Financial Services® has supported an independent network of tax and non-tax professionals who provide comprehensive financial services including securities, insurance, money management services and banking solutions. We have over 3,700 independent contractors, who manage over \$45 billion in assets for individuals, families and small businesses in all 50 states.¹ Ranked as one of the top 15 independent broker-dealer firms,² we know what it takes to make your practice flourish.

¹As of July 1, 2018

²Think Advisor 2016 Broker-Dealer Reference Guide, which measured/ranked the top 25 independent broker-dealers by annual revenue.

Methodology

In June and July 2018, SourceMedia Research conducted an online survey of 293 accounting and tax professionals. Respondents' top roles were sole proprietor, partner/shareholder/principal, and CEO/president/COO. Of the total base, 24% of respondents' firms offer wealth management/financial planning services to their accounting/tax clients.

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