
More accounting firms are adding financial planning

Study finds that half of all firms now offer advisory services

By **Andrew Coen**
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An increasing number of accounting firms are finding it advantageous to add financial planning services to their business models, according to a recent study conducted by the American Institute of Certified Public Accountants of New York.

Since 2000, 50% of all accounting firms have added financial planning services, according to the study, created by Seattle-based Moss Adams LLP.

The study also showed that revenue of CPA firms attributable to financial planning/advisory services grew by 30% from 2004-2006. According to the study, key reasons for accounting firms' decision to add planning services included responding to client needs, competition from other CPAs and a desire for additional revenue.

"[Financial planning] is a natural extension of [accounting], primarily because your clients are begging for help," said AICPA member Jeffrey Mueller, president of The Mueller Cos., a Canon City, Colo.-based accounting firm. "It's too great of an opportunity."

Accounting firms such as Grassi & Co. in Lake Success, N.Y., have started to formalize their financial planning services in response to market demand after previously offering investment advice on a more informal basis.

Grassi has started to expand, and set up promotion of, its financial planning services since tax season ended in mid-April, with 75 clients on board for the new, formalized program. In coming months, the firm will be conducting lectures and seminars for accounting clients to let them know how a CPA can also offer services as a financial planner.

"We've always done it in bits and pieces, but now we're doing it as a full-blown central life strategy," said Mitchell Zachary, head of the financial planning division at Grassi, who recently became designated as a personal financial specialist. "We're very actively promoting it."

Some certified financial planners cite conflict-of-interest concerns. They say when accounting firms add financial planning services under one roof, it takes away necessary checks and balances, especially when CPAs promote securities products that benefit their business.

"The problem with everything under one roof is, you're not going to get objective advice," said Greg Plechner, a principal at Greenbaum & Orecchio Inc. of Old Tappan, N.J. "The opportunities are ripe for conflicts of interest."

Competency is also a problem with CPAs who offer financial planning, according to Mr. Plechner, because 50% of their tasks involve audit work, which has no connection to a client's investment strategy. "It's tough to be able to take on everything," said Mr. Plechner, whose firm manages about \$500 million in assets.

Mr. Zachary disagrees with that notion, countering that CPAs have unique knowledge of a client's financial situation. "Not only is it not a conflict of interest, I think it's our responsibility," he said.

Mr. Mueller emphasized that conflicts of interest with CPAs arise when the accounting firms align themselves with a broker-dealer and do not use a fee-based approach. "I don't see a conflict of interest at all as long as I'm not selling a product or charging based on commission," said Mr. Mueller, whose firm manages \$70 million in assets.

The Arlington Heights, Ill.-based National Association of Personal Financial Advisors also has no problem with CPA firms' adding financial planning if they use a fee-only component and don't sell securities products. "I don't have any problem with it as long as it doesn't create a conflict of interest," said Mark Berg, a NAPFA board member who is also president of Timothy Financial Counsel Inc., an hourly-fee firm based in Wheaton, Ill. "If it's done in the right way, I heartily endorse it."

NAPFA board member Bernard M. Kiely, who is a CPA, has been trying for the last decade to boost the number of accounting firms offering fee-based financial planning. He has found it to be a challenge since many CPAs go through broker-dealers to get securities licenses instead. Mr. Kiely, who is president of Morristown, N.J.-based Kiely Capital Management Inc., which has \$70 million in assets under management, said the percentage of NAPFA members employed by accounting firms has remained flat in recent years, at about 30% of total membership.

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Mark Berg: Endorses accountants planning "if it's done in the right way."



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