FINANCIAL PLANNING

Offer strategies that go beyond

By ALI JAFFER

As the industry has evolved, clients are focused more on how to minimize CRA audit risks, obtain financing for their business and prepare for increasing competition in the small to mid-size business sector.

Ali Jaffer, CPA, CGA

With the tightening of accounting regulations, the Canada Revenue Agency focusing on collecting taxes, and clients looking for the best value in accounting services, firms must adapt to the ongoing evolution of the accounting industry. Public practitioners must dig deeper into their bag of tricks to focus on the types of services clients really want.

Traditionally, this has been described as "thinking outside of the box." As author Stephen Covey put it, "despite all our gains in technology, product innovation and world markets, most people are not thriving in the organizations they work for."

If there was no compliance required for tax returns or required financial statements for financing purposes, most accounting firms would probably not exist today. Gone are the days of serving a client just to complete a tax return, prepare a financial statement, reconcile banks or prepare HST returns. As the industry has evolved, clients are focused more on how to minimize CRA audit risks, obtain financing for their business and prepare for increasing competition in the small to mid-size business sector.

There are, however, several underused strategies that many public practitioners can employ to add value for their clients and bring more variety to an employees' portfolio. Most importantly, these strategies can help grow the firm's revenue base.

The underlying objective of every business owner is to build wealth and the value of his or her business and an astute accounting practitioner can play a significant role in building that wealth. To accomplish this, there are a number of underused services that an accountant can provide, including providing net worth analysis, business advisory, business plans and CFO services. These can then be combined into a value-based billing package for the client.

Net-worth review

The bread and butter of accountants are net-worth reviews. However, many practitioners focus solely on preparing the balance sheet of a business, whether it is a sole proprietor, partnership or corporation, while often overlooking the personal statement of net worth.

Engaging in this area and developing a personal statement of net worth achieves many objectives. Firstly, it allows the accountant to better assess the client's personal financial situation. Next, it assesses the client's risk and return levels, which provides a segue into assessing their business risks. Finally, it provides an opportunity for a practitioner to generate annual revenue for preparing a statement of net worth, analysis and related discussion, analysis and recommendations.

For practitioners interested in expanding the scope of their consulting for clients, the initial analysis can reveal opportunities to help the client in other ways, such as providing financial, insurance or investment services. The personal statement of net worth can be used as a basis of discussion for future engagements and can then be revised accordingly.

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Business advisory

Far and away the most underused area for practitioners to offer additional help for clients is in the area of business advisory or business consulting services. This approach allows the practitioner to review a client's business from a perspective that significantly differs from the traditional accounting, financial statement or tax perspectives.

Business owners can benefit from this activity as it takes the emphasis off what has already happened (i.e. financial statements or tax returns from a few months back) and focuses what is currently happening and how to take the company forward.

Some examples of business advisory services that can help the client grow include:

• Gauging the effect of reducing receivables from 45 days to 30 days.

• Determining what will happen to revenue if prices or quantities are increased by five per cent.

• Assessing whether it is better for the business to rent or own a building.

• Finding out the time frame required to meet the business owner's retirement goals.

• Judging the business impact of introducing a commission structure to the business.

These are just simple examples of what can be done when an accountant digs deeper into the numbers of any small or mid-size business.

Business plans

Clients have a number of uses for a business plan. A start-up could require one for their long-term strategy, to obtain financing or take advantage of government loan programs. A company in the growth stages might require an injection of working capital to continue with that expansion. A mature company would require a business plan to look at new opportunities, services or products for their long-term sustainability.

Regardless of the need, most accountants under-utilize this service, even though it generally results in a fairly lucrative engagement. Accountants are trained in depth to deliver conceptual results, but generally only deliver financial statements that clients usually do not care about.

In contrast, within a business plan there should be an in-depth cash-flow forecast. Many clients wonder why a profit and loss statement may be positive but the business is still struggling to meet its cash-flow obligations. Developing

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retire, on track to save for their future needs, able to deal with bumps in the road, better able to live the life they want, and experienced a greater sense of financial and emotional well-being.

As we approach 2015, the conversation has evolved and the stars have begun to align for financial planning. Consumers, regulators, governments, advisors, planners and industry firms alike have spent the past five years regrouping and redefining what it means to provide "financial advice."

By way of example, regulators have introduced phase two of their Client Relationship Model (dubbed CRM2), which demands full transparency regarding fees and the nature of the client-advisor relationship. The Canadian Securities Administrators, and in particular the Ontario Securities Commission, are considering elevating advisors' ethical responsibilities to their clients from one of "suitability" to "best interest" or "fiduciary," while at the same time reviewing the use of titles and designations within the industry and considering whether embedded commissions should remain an allowable compensation practice. In Ontario, the government is reviewing whether there is a need for "tailored regulation" of financial planners — that is, the regulation of advice which is separate and apart from the current regulatory models that are based on product sales and corresponding advice related to the client's account.

Until recently, the majority of consumers had a singular focus on financial advice, centred only on how to invest their hard-earned dollars. This demand married well with the financial services industry's business models and desire to "give the people what they want" in order to make a profit for their shareholders.

But consumer expectation is changing rapidly. A new recognition has emerged that Canadians are increasingly seeking broader, more holistic financial planning advice from an advisor who has their best interests in mind. Given the enormity of this shift, is it any wonder that industry is struggling to keep pace? That said, we are increasingly seeing evidence of attempts by industry firms to turn the ship in a direction that would better suit today's consumer and in turn their own ends.

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Cary List, Financial Planning Standards Council


List

Governments and regulators too are realizing that they must evolve to keep pace with changing consumer demands and expectations. It is becoming evident to all stakeholders that our regulatory system, where advice related to products and consumer investment accounts is overseen by more than 20 distinct regulators and two SROs across the country, cannot effectively deal with these new expectations that extend beyond any single regulator's responsibilities.

As a result, the FPSC, along with our partners in the Coalition for Professional Standards in Financial Planning — Institute québécois de planification financière (IQPF), the Institute of Advanced Financial Planning (IAFP) and the Canadian Institute of Financial Planners (CIFPs) — are working with regulators, governments, planners and industry firms to help address the gaps and provide appropriate solutions for all stakeholders.

It is the coalition's view that to appropriately protect consumers there must be a single, unified set of standards for financial planners. Only then can consumers be protected by knowing that their financial planner has the necessary knowledge, skills and professionalism to serve their needs.

To this end, as this article goes to print, the FPSC and IQPF will have published, in both official languages, *The Canadian Financial Planning Definitions, Standards & Competencies* — produced with input from dozens of industry representatives and financial planners from across the country, it's a definitive guide to what can be expected from financial planning, a financial planner and a financial plan.

As the expectations of Canadians evolve, the FPSC continues to provide deeper and deeper clarity on what to expect of financial planning and financial planners. Only through the ongoing development and adoption of unified standards of competence and practice for all financial planners will consumers, industry, regulators, governments and advisors be brought together to a new model where financial planning advice is demanded, respected and delivered in a way that will enhance Canadians' well-being and provide an attractive career choice for those who wish to provide this essential service.

The FPSC remains committed to working with the financial services industry, consumers, governments and regulators to see such an eventuality come to fruition for the benefit of all.

Cary List is president & CEO of the Financial Planning Standards Council (FPSC), a not-for-profit, standards-setting and certification body that develops, promotes and enforces professional financial planning standards through certified financial planner certification. For more information, visit www.fpsc.ca.

Act as your client's CFO to add value

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a thorough business plan is an opportunity for a professional accountant to shine by demonstrating the worth of all their training to their client.

CFO services

A chief financial officer for a small to mid-sized business might demand a six-figure salary, even though most of these organizations do not require a full-time CFO. Why not bring a professional accountant into the mix to perform the same level of services at a third of the cost?

There is tremendous opportunity for companies looking at cutting costs, to benefit by assigning CFO duties to an accountant. The role of the CFO will not be to produce monthly reports or help with day-to-day accounting transactions, but to provide a regular (monthly or quarterly) review of the financial health of the organization and look at opportunities for things like process improvement and investment opportunities, while developing long-term strategies for the business. Outsourcing CFO duties to an accountant allows the business owner to do what they are best at — running the business — while the accountant/CFO focuses on the overall business strategy.


Jaffer

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All of these value-added services can be packaged into a fixed-price agreement with the client which provides a number of advantages for them and the accountant. That approach keeps the monthly cash flows for professional services consistent, while the client receives monthly services rather than the usual annual year-end compliance work. Last but not least, the accountant will be able to partner to grow the clients' business over the long run.

It is clear there are many opportunities to utilize the training and skills accountants have developed over years of practice. For many accountants, a good change of strategy would be to switch from focusing on growing the number of clients to digging deeper into each clients' numbers to see if more revenue can be generated from existing client relationships.

Since it is considerably simpler for the accountant to maintain fewer clients, clients will appreciate the extra attention and overall value the advisor is adding to their business. Importantly, accountants will also be able to better balance their lifestyle by focusing on fewer clients.

Although compliance service work is always going to be abundant, the opportunities are infinite when considering the underused strategies that accountants can provide to meet the evolving needs of clients.

Ali Jaffer, CPA, CGA, MBA, BComm, is a public practitioner who helps small to mid-sized businesses minimize taxes and grow their cash flows. He brings 20 years of experience in various senior accounting roles. His accounting practice in Mississauga, Ont., involves working with various industries and specializes in accounting, tax and operations for health care practitioners.