



The Future CPA: Make Your Practice the Accounting Firm of the Future

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The Future CPA: Make Your Practice the Accounting Firm of the Future

To change your business, first you have to change your mindset

Shifting demographics, changes in consumer behavior, a dynamic tax and regulatory environment, technology, and a multitude of other factors are having a profound impact on the future of accounting. That impact means an unprecedented rate of change.

You can be your clients' trusted advisor, or their financial historian. The future of accounting is here. Are you ready to move forward?

"In the past year, we have focused in on the advisory work rather than just the compliance work. The compliance work is always there. We now serve our clients in many different ways. The relationships that you build with your clients lets you understand what they're doing, where they want to go. That synergy allows you to be one step ahead of the game."

Jason Palaia, CPA,
Partner, Bearoff &
Associates, LLC

In the beginning

It all began with the "tax man." The idea of you, the tax man, would loom over the country all spring long. Clients would frantically search for receipts. Bundle their W2s. Round up the 1099s. If they were lucky enough to have them, paper clip their 1099-DIVs. Declare their dependents. Gather medical statements. Hunt down property documents. Put everything in a box and deliver it to you. Even if it was a mess, they knew the tax man would take care of it.

And you did.

And then? "See you next year!" It was a transaction. Your clients brought you what you needed to get their work done, you organized it, completed their forms, and filed their tax returns. By doing so, you met their expectations, such as they were at the time. That was the end of it until next year. Your clients had their taxes done, and you made some money. All was well.

Now all is different

Your profession is undergoing profound changes. The impact of these changes has been accelerated by technology, an ever-morphing tax code with sometimes delayed and uncertain IRS guidance, changing consumer and business expectations, and the ascendancy of business models that promote enduring relational value over discrete, commoditized transactions.

The question is, are you changing your business to adapt accordingly, effectively, and profitably? Or, is your business remaining static in a dynamic profession?

The shift is on

Are you looking forward, or holding onto the past? Your clients, and your clients' businesses, are constantly looking forward. They are always trying to anticipate markets, economics, income, and expenses. Are you going to look forward with them — and walk alongside them to help them succeed — or look backward and provide reactive services that most of your competitors can provide?

In today's environment, growing your business means shifting to an advisory service model. In fact, an advisory service model is not just a trend in your profession but is becoming — and has already become — an expectation on the part of your clients and prospects.

Why? DIY resources and other factors have combined to make the tax preparation and filing process, in large part, a commodity. Compliance is important, and can resolve complications, but addressing them is usually something your competitor three blocks over can handle just as effectively as you can. As a result, price becomes the primary factor when prospects search for and select a tax professional.

You may find yourself competing based on the lowest common denominator — price. The reality is that you should be competing on the basis of **value**.

The arc of change

Change is rarely a completely linear process. More often, it is a two-steps-forward, one-step-back type of evolution. But while changing your business is an ongoing process that may not have an end, it often does have some sort of a beginning, and maybe even several beginnings.

Where does the transformation of your business begin? It doesn't begin with restructuring your practice, creating spreadsheets, developing long-term plans, creating checklists, broadening the scope of your services, or renaming your practice. It begins with you. It begins with how you think about yourself, your business, your clients and prospects, your profession, and your future.

It begins with changing your mindset.



“External factors such as the commoditization of services due to enhanced technology, increased competition, changing needs and demands of consumers, and a shifting regulatory environment are creating an opportunity for CPAs. Those who have historically provided only tax planning and compliance services for individuals can initiate the change for themselves and their clients by evolving their offerings to include an integrated services approach. Making investments to broaden and transform these services now will help CPAs maintain their trusted adviser role for the long-haul.”

[AICPA](#)

Change your mindset: how you think about yourself

How can you provide the most value to your clients? Tax and accounting compliance may be necessary and your clients depend on you for that kind of work, but what if you could help them in more — sometimes intangible — ways?

Consider a somewhat rough analogy. Let's say you take your car in for scheduled service. Do you want to work with Tom, who only does the work recommended by the manufacturer, or would you prefer to work with Bob, who also anticipates potential issues and offers a variety of solutions to proactively address those issues before they occur? Bob's approach to service creates a lasting bond that not only cements your trust, but also results in a better reputation and more revenue for his business long-term. Be like Bob.

Identify what you do well and what expertise you have that you are not currently using with your clients. You may be able to enhance your value by offering more diversified service offerings. If this strategy appeals to you, consider which services make the most sense for your clients, but more importantly, what best complements your existing knowledge and experience that you would enjoy learning, expounding upon, or becoming an expert in. For example, if you offer estate and gift tax services, you may want to expand to related areas, such as elder care planning, trust management, succession planning, charitable giving, retirement planning, and family financial planning. To support any expansion of specialized services, you may want to invest in attaining new designations, such as CFP, PFS, ChFC, CFA, CLU, or others.

Another approach is to assume an advisory management role, similar to that of a general contractor. Beyond providing referrals, which you already do, this strategy positions you as the central point of contact — the filter and coordinator for all advisory information from bankers, attorneys, financial planners, and more. Like a contractor, you assume responsibility for all advice and guidance that is provided, regardless of the source. This approach is less likely to increase your revenue incrementally but may increase client loyalty exponentially.

The most practical approach may well be a combination of the two strategies: expanding your expertise and the services you offer, while simultaneously leveraging and growing your network of advisors and drawing them into a more formalized cooperative.



Whichever approach you take, you start with an advantage. You already have your clients' business, and you already have their trust. As the AICPA puts it, "tax planning is an integral value proposition for clients, and it can also serve as a jumping-off point for providing other value-added services."

"In our first year, our firm closed 22 deals for advisory services, leading into maintenance services for those clients. I expected increased revenue. I didn't expect the relationship building with your client. That's an added benefit."

Jason Palaia, CPA, Partner
Bearoff & Associates, LLC

Change your mindset: how you think about your clients and prospects

It's clear that your clients are looking for more. More advice, more guidance, more expertise, and a more integrated and comprehensive relationship. A proactive response to this shift is critical.

Take a moment to consider your prospects and their demographic profiles. On one end of the spectrum, you have waves of retiring Baby Boomers. They are facing an increasingly complex situation — not just when it comes to their taxes, but also succession planning, retirement planning, estate planning, and health care. They are looking for comprehensive planning and advisory services as they transition to a very different phase of their lives. Many may be less concerned about having someone do their income taxes than they are about making sure their golden years are comfortable and that they leave a legacy behind for their families.

Toward the other end of the spectrum are Millennials. Surprisingly to some, they are not all independent mavericks who rely only on their own counsel when it comes to business and financial planning. In fact, according to a [study done by Guardian](#), "Millennials value tech-driven solutions and dashboards in their financial planning but they also want the face-to-face advisor experience. What's more, texting and social media trail far behind as preferred methods for advice. As for education? Technology, namely social media, facilitates learning and researching products and services; it does not replace an in-person learning environment." Even the digerati expect the human touch as well.

Of course, your clients are more than their demographic profiles. What other characteristics do they share? What psychographic characteristics do they share? How do you strengthen your skills to better address those aspects of your client base, and how do you develop skills to address clients and prospects that don't fit those particular molds?

Around 2007, Prudential built a marketing campaign around the theme of The Retirement Red Zone. It was based on sound financial principles, such as sequence of returns, and was developed specifically for consumers who were five years before retirement through five years after retirement. It addressed the very real and very specific challenges and risks faced by clients within that time span — the Retirement Red Zone. For example, the particular danger of negative

returns in a portfolio shortly after retirement. How many of your clients and prospects fit in this profile, which goes beyond typical demographic considerations? Thinking differently about your practice means thinking differently about your clients and their lives.

Finally, how do you plan for client growth in a strategic way that addresses client needs while also prudently growing your business?

“You don’t want to be a commodity; you want to be the answer, you want to be their partner... You’re finally getting paid for your experience because you’re creating value for your client.”

Glenn Harper, CPA,
Partner, Harper &
Company CPAs LLC

Change your mindset: how you think about pricing your services

To gain and retain clients in the evolving accounting profession, you have to demonstrate value beyond processing tax returns. Until you change your mindset about how you provide services, you won’t be able to change how you charge for those services. Focus on the value you provide, not the transaction you exchange.

Break free from the traditional hourly billing cycle. Hourly billing implies that you provide a commodity. Value pricing is a more accurate indicator of the true value that you and your firm provide. Not only will you become more profitable, but your clients will also come to understand that they are paying not just for your time, but for your expertise and your intellectual capital.

Charge for your value. It is likely that you and your clients will benefit from this advisory, value-based model. Value pricing involves a process of shifting from how long a particular service takes to perform, to how much value performing that service provides to the client. It also takes out the need to negotiate fees, which you may find yourself doing with your clients currently. Negotiating implies that your time and expertise can be discounted. You know better — and it’s time your clients know better, too.

But moving to an advisory pricing model is no easy feat. How do you bundle your knowledge, expertise, resources, guidance and advice, and place a price tag on it? Consider consulting with a professional who has helped other firms make the shift from transactional pricing to value-based pricing. The investment will be well worth it in the long run.

If you choose to hoe the road alone, make sure that price is the last issue discussed with prospects — well after you have listened to them closely, identified their needs, and have put together an action plan that clearly shows the path forward that will solve their needs and reflect your value.

“Tax planning is an integral value proposition for clients, and it can also serve as a jumping-off point for providing other value-added services.”

AICPA

Change your mindset: how you think about your staff

Transforming how you do business also means evaluating the structure and knowledge base of your staff. It also means empowering and educating your staff. This doesn’t mean cleaning house. It means keeping house, identifying true strengths, and upgrading skills as needed.

One consideration is how to properly allocate tasks and projects. Determine how to value your time relative to how you value the time of various staff members. As you shift to an advisory service model, it is increasingly important to educate and develop staff to meet the needs of your clients. In other words, determine who does what to optimize your practice’s efficiency and effectiveness.

In addition to providing resources to support the professional development of your staff, there is another tool you have available — setting an example. Set a standard for your staff by serving as a role model in how you manage your business and how you conduct yourself with them and with your clients.

You know your staff. You know their capabilities. It’s important to allocate their skills appropriately. It’s not only good for you and your clients, but for your staff, as well — especially as you coach and nurture their development.

Change your mindset: how you think about technology

The rise of DIY tax software is fueling the commoditization of tax preparation and placing pressure on firms to differentiate. At the same time, client expectations are growing increasingly demanding. It's a perfect storm that brings both challenges as well as opportunities.

The accounting profession is not known for cutting-edge technology or driving innovation. One of the last great leaps forward in accounting methodology was the advent of double-entry bookkeeping some 500 years ago. However, a number of recent technological advances are having significant impacts on the profession. Consider this:

- Big data and data mining help you gather, store, manage, and make practical use of the proliferation of information about your business, your clients, and your prospects.
- Artificial intelligence helps you go beyond addressing client needs by anticipating those needs in ways that were previously not possible.
- Cloud-based applications and services save you (and your clients) time, money, and other resources for increased efficiency and accuracy.
- Workflow management tools facilitate a more efficient practice.
- Customer relationship management tools can be integrated with your tax preparation software to provide a comprehensive and holistic approach to client management.

Double-entry accounting is still valid. But the availability of advanced technology and tools to help you build a more effective, efficient, growing, and sustainable business that better meets your clients' needs should change how you work.

As you continue to shift toward new technology, it's important to keep in mind that technology is a means, not an end. It has no intrinsic value in and of itself, beyond how it can help you and your business. In fact, the wrong technology can have a negative impact that can cost you time, money, and ultimately, clients. Also keep in mind that not only does software need to be purchased, installed, and integrated, but it also has to be maintained. Be aware of how maintenance is priced, and get references from users in your industry.



"Instead of having a big push during tax season... we're talking with our clients on a regular basis — intentionally, as opposed to when it's necessary. I see advisory services as the wave of the future."

Robert East, CPA, Partner
East Folson, LLC

Change your mindset: how you think about the future

Transactions are how you have traditionally made a living. But establishing enduring and meaningful connections is how you generate more transactions, and how you build a sustainable, profitable business. It is how you retain clients, and how those clients channel more new clients to you. And that is not just referral-based growth, but also multi-generational growth. That is why an advisory business model, not a transactional business model, is the key to your success.

Change is hard. It's challenging. It's uncomfortable. But often, it is necessary. It can also be rewarding, and sometimes even exhilarating.

The good news is that you are starting on this journey with an advantage. In regard to your current clients, you already have their business, and you already have their trust. You're ideally situated at the intersection of tax planning, financial management, business strategy, and more. You're already a step ahead.

Take inventory of your clients, your target markets, and your skill sets. Begin to change the way you talk about your business, how your business is structured, and how your services are priced. Listen to your clients and dive deeply into identifying their needs, both now, and in the future. This is not just an inventory of client needs, but an ongoing dialogue. It's not enough to know your clients today. You need to anticipate their needs five or more years down the road. The best way to know your clients is to never assume that you know them completely.

As you look to the future, it's important to remember that while profitability is clearly good for you, it is also good for your clients. In order for them to be able to rely on you, your business has to be sustainable, and that means profitable.

Finally, it's important to you and your staff — and all of your families — that you have a succession plan in place. It is also, obviously, important to your clients. One of the potential positive outcomes of an advisory service is that it helps to establish multi-generational relationships with clients. A succession plan is one more way to make sure that your legacy is having an impact on your clients and their families long after your career is over.

The future of accounting is here.





Every firm is different, and some are more prepared for the future than others. Here is a checklist of questions to ask yourself as you begin transitioning from a transactional firm to an advisory firm (if you choose to do so).

Change your mindset checklist

Think about yourself

- ☐ How can you provide the most value to your clients?
- ☐ What would you like to offer that you do not currently?
- ☐ Do you need additional education or training to offer additional services?
- ☐ Are your referral relationships strong enough?
- ☐ Are you positioned as the go-to advisor for your clients?

Think about your clients and prospects

- ☐ What do they need that they could get from you, but aren't?
- ☐ Are you providing the guidance and strategic direction they seek?
- ☐ How many of your clients are retiring in the next five years?
- ☐ How many new clients do you need each year to maintain the status quo?
- ☐ What commonalities do your clients have, aside from demographics?
- ☐ Are you reaching enough prospects?

Think about your pricing

- ☐ Are you being paid for your value and expertise, or just your time?
- ☐ Are you negotiating fees with any of your clients?
- ☐ What are you doing for clients that you're not charging for?
- ☐ Should an external consultant help you structure a value-pricing model?

Think about your staff

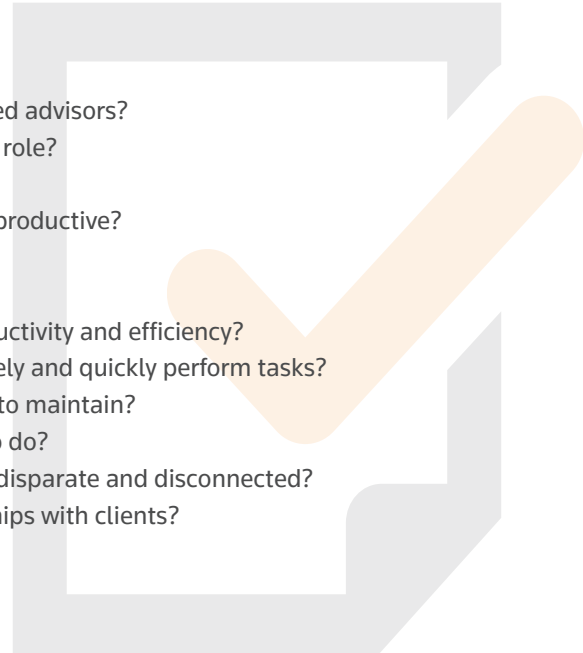
- ☐ Who needs additional training or education?
- ☐ Are they learning enough from you to act as trusted advisors?
- ☐ Who is ready to take on a more proactive advisory role?
- ☐ Do you have the right staff in the right positions?
- ☐ Are your staff overwhelmed, inefficient, or under-productive?

Think about technology

- ☐ Is your technology helping or hindering your productivity and efficiency?
- ☐ Do you have the right technology tools to accurately and quickly perform tasks?
- ☐ Is your current technology laborious or expensive to maintain?
- ☐ Does your technology do everything you want it to do?
- ☐ Is your technology streamlined and integrated or disparate and disconnected?
- ☐ Does your technology help you improve relationships with clients?

Think about the future

- ☐ Is your firm evolving, with an eye on the future?
- ☐ Have you developed a succession plan?
- ☐ Are you prepared to handle the changes coming to the profession?
- ☐ What will your clients need five years from now that they don't today?
- ☐ How will you better serve your clients in the future?
- ☐ Will you be more, less, or equally profitable in ten years without change?



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