

# PARTNERING WITH FINANCIAL PLANNERS

A guide to growth for accounting firms

Scott Charlton



Institute of  
Chartered Accountants  
Australia



THOMSON REUTERS



**SCOTT CHARLTON** B Com MBA FCA AFAIM

Business coach, author, consultant

## Foreword

Thanks for your interest in *Partnering with Financial Planners*.

Since writing this book in 2012, I've become more convinced than ever about four things –

- That licensing (or the other ways in which accountants can respond to FOFA) is not a *silver bullet* when it comes developing your firm of the future
- Whilst it forms part of how your practice will operate in the future, cloud computing is secondary to the role you should play with your clients.
- That you can and should be a primary financial adviser to your clients
- That healthy collaboration with financial planners will be hugely beneficial for clients and your firm

In many ways, the first two points have become distractions to the last two points.

With respect to FOFA, an imposed statutory framework and an extraordinarily lengthy transition period have combined to create a sense of “Yes, I know I need to do something but I’d rather not think about it just yet”. At the same time, it appears to me that the “sky is falling in” message emanating from the suppliers of cloud accounting solutions is fuelled by self-interest.

The purpose in writing this book was to bring points three and four to your attention because in my view herein lies the key to long term success for your firm.

Whilst clients respect the role that you fulfil in terms of their tax and other statutory requirements what they really would appreciate is advice and assistance on a broader scale.

In my role as a business coach I am in the fortunate position of interacting with both accountants and financial planners. I get to see what works and where things can be executed a whole lot better. I’ve

studied how best to accommodate providing extra services to clients in amongst the day to day pressures of running a busy practice. It can be done and in this book I've set out how to make this happen – the mindset shift required, essential knowledge, selecting the right options, some easy to follow steps and tools that can be utilised straight away.

I hope that you can relate to the case study that follows, which is the first chapter in my book. I also hope that you will find it to be fairly easy reading. Yes, of course I'd like you to read the rest of the book but more than that, I'd like you to play a vital role in the future wellbeing of your clients.

Scott Charlton  
June 2014

# CHAPTER 1

## LET'S START WITH "THE WHY"

### **The sky is not falling in**

This book contains many strategies, case studies and observations regarding how you and your firm can collaborate with other professional advisers, to add value to the service you offer to your clients.

However, there is little point plunging into this detail straight away. Like me, you are probably part of the 84 % of accountants for whom figuring out something for yourself is infinitely preferable to accepting something at face value<sup>1</sup>. Like me, unless you are satisfied about the reasons *why* something is important, then there will be little interest in the arguments that follow.

While an accountant in practice, I lost count of the times that an outside adviser would tell me of a profound development that, if ignored, would lead to the sky falling in.

Let me think of a few examples:

- The introduction of the superannuation guarantee legislation. Reality – this hasn't proved financially ruinous or administratively impossible.
- The 30 June 2008 deadline for additional superannuation contributions. Reality – it seems that clients who didn't sell their real estate and invest the proceeds in the share market pre-GFC are better off than those who did.
- Super choice. Reality – has been a fizzer.

These are Australian examples, but I'm sure there will be similar examples in other countries.

The funny thing is though, that on those occasions when I failed to heed the adviser's warning and refer my clients to them, the world never came to a grinding halt and clients kept coming back.

So let me make it clear from the outset: I'm *not* about to say, "The sky is falling in" and that you need to make radical changes to the way your firm operates as a result. Any argument along such lines would be viewed with cynicism, even derision, by most accountants.

Instead, I prefer to state the case for the positive as to *why* your firm should take a proactive role in your clients' financial affairs.

Let's now consider the first part of a case study that we will be considering at various stages throughout this book. Not every part of this case may resonate with you. However, I hope that at least some parts will be sufficiently compelling that you decide to embrace a broader definition regarding the service provided to your clients. It's only then that the later chapters and suggestions that follow will be of value.

---

1 Source: Research conducted by Link-up International Pty Ltd.

## **BUSINESS AS USUAL**

Steve, a motor mechanic, operated a successful smash repair business strategically located next to a busy inner-city roundabout. Steve had no formal business training so for any financial matters he relied on Bill, his long-standing accountant.

Bill and the team at ABC Accountants undertook year-end tax planning, assisted with finance applications and provided ad hoc advice throughout the year when Steve called with a question. Then every 12 months, Steve and his wife Sue would be summoned to ABC Accountants' office where they would be greeted by an imposing pile of documents. Bill would do his best to explain what they all meant, even providing some graphs and a structure diagram to help them make sense of it all. Following this, Steve and Sue would make their usual joke about "signing their lives away" and settle Bill's account.

Each year on the way home from ABC, Sue would say, "It's a lot of money we pay Bill." Steve would then reply, "We don't have much choice. It's not as if I could do what Bill does." This year, Steve added, "I do wish I'd asked about that self managed super fund though. When we set it up two years ago I thought it was to purchase the workshop and retire some debt. It seems that Bill is too busy to get around to it."

For the past 20 years accountants have debated the merits of providing clients with analyses and graphs regarding past performance. Sad to say, some accountants devote more energy to debating whether to charge clients than in actually providing this service. Irrespective of this, many clients do not attribute much benefit to the compliance documents prepared by their accountant.

A client that the accountant believes to be a loyal client may potentially be staying through perceived barriers to change and the absence of a ready alternative.

Having a self managed super fund does not automatically endow a client with the wisdom to run it, nor does it necessarily mean that there are net cost savings.

## **CLIENTS HAVE UNMET NEEDS**

The following afternoon, at a local chamber of commerce meeting, Steve found himself speaking with Kate, who had made a presentation regarding wills and estate planning. "Thanks for the interesting presentation, Kate," Steve remarked. "What is it that you do exactly?" Kate replied, "I'm a financial adviser. I help people achieve financial freedom and protect their families financially in the event of the unexpected."

During the course of the conversation, Steve volunteered that while he was making numerous periodic payments on insurance policies and superannuation, he had little knowledge of what these were for and even less confidence in whether what he was doing was appropriate. Kate smiled knowingly. "Most people have a filing cabinet drawer full of that 'stuff'. Why don't you come into my office for a complimentary financial health check?"

Later, after accepting Kate's offer, Steve reflected on their conversation. Kate had spoken about not just having a documented financial plan but a process to achieve it. Steve now had an inkling that there were lots of things he could be doing to achieve more for his efforts.

For a range of reasons many clients are unaware about other areas of their financial affairs that require attention. This is compounded by the natural reticence of many accountants to raise issues outside of the services that clients have specifically requested. This can leave the client meandering along in a financial twilight zone.

The danger is that if they are not receiving a total solution through their accountant's auspices, clients will ultimately source services from elsewhere. In doing so, clients will inevitably have a diminished view of the role their accountant plays in their financial world.

## **THE BENEFITS OF ENGAGING A FINANCIAL PLANNER BECOME APPARENT**

Following the financial health check, Steve and Sue sat down with Kate to discuss the outcomes.

"Steve, I've prepared a report which contains a range of issues about your financial affairs which in my opinion need attention. I'll let you read this in your own time. For now, I would like to highlight some important matters." Kate then discussed the following:

- Steve's will did not make specific arrangements for Myra, the 18-year-old handicapped daughter from his first marriage. Nor were Steve's wishes to provide funds for the education of Emma and Harry, twins from his marriage to Sue, adequately expressed.
- There were a range of asset protection strategies Steve could employ to safeguard his wealth in the event that the business failed or was the subject of litigation.
- Kate could not only save him some money on his insurance premiums but also obtain more suitable products for his income protection and critical illness cover.
- While the one-page investment strategy document that Bill prepared for the super fund was adequate for tax compliance purposes, it was useless as an engine to achieve optimal retirement outcomes.
- Without anyone reviewing what the super fund was actually doing, the odd assortment of investments that Steve had accumulated had performed extremely poorly.

There and then, Steve engaged Kate's services to address these matters. He also subsequently engaged Kate to address the other issues identified in the report.

Later that evening, Steve reflected on what had occurred. For the first time in a long time, Steve felt more in control regarding his finances, "Now I'm getting somewhere!" he said. At the same time, he couldn't help thinking that, given these issues were so important, why hadn't Bill raised them?

The issues above are typically not dealt with as a part of attending to compliance requirements. Many however can be identified in the course of such work by incorporating prompts in the compliance preparation checklists.

Fortunately for Steve, he stumbled across a competent, ethical adviser in Kate. However, he might just as easily have been taken in by an unscrupulous operator who could have turned Steve's unmet needs for personal gain. It's far better for the accountant to take more responsibility and direct clients to advisers in whom they have confidence.

## **A TEAM APPROACH**

Some weeks later, Steve and Kate met to review what Kate had implemented on Steve's behalf. They both declared they were happy with the outcomes.

Kate then paused and said, "Steve, good as the work we've done is, it really doesn't go far enough. In medical terms, we've made you healthier but now let's get you financially fit. Clearly, one of your major assets is the business. I understand why you say that it's your real superannuation but in order to realise this you need a specific plan." Steve heartily agreed. "To help you with this process and get you the best outcomes, I need to collaborate with a proactive accountant on your behalf. Tell me, do you think Bill is up to the task or would you like me to make a recommendation?"

The following week, Steve met with Damien, the accountant Kate had suggested. Given that he had only ever dealt with Bill, Steve felt a little uncomfortable. To break the ice, Steve asked, "So, how do you work with Kate?"

Damien smiled. "To tell you the truth, the search to find a planner I could work with was a long, rocky road. I've dealt with lots of planners over the years. Now I use Kate pretty much exclusively. We have similar views on most things – strategies, type of clients we like to work with and the desire to make a difference in our clients' lives. We have very compatible ethics and, above all, we guarantee there's value in what we do. When we have planning sessions together with our clients, good things happen."

For Steve, the rest of the meeting with Damien was memorable in three respects.

Firstly, Steve now understood it was quite simple to change accountants. He had always assumed this was a task so huge and complex than it was unrealistic to contemplate.

Secondly, Damien explained how he worked with Kate. "We've thought through how we can synchronise what we each do, to get you the best outcomes. What we seek to achieve is  $1+1=5$ . To give you an example, I know shares and other investments are important but I'm not licensed to advise you in these areas. However my role encompasses advising on the tax implications: whose name to invest in, how the franking credits will apply and long-term implications for capital gains tax. Does that make sense?" Steve nodded emphatically. It made a lot of sense. He wanted to keep using Kate but the thought of Bill being negative about his financial plan was deflating. How much easier it would be when his advisers were on the same page.

Thirdly, there was a frank discussion about accounting firms. Damien asked Steve what he was currently paying Bill. Damien said, "Based upon the projects Kate has in mind for us to work on together, it's quite likely you will pay me *more*, maybe a lot more, than you currently pay Bill. But what I can absolutely guarantee is that you will always know the fee for any assignment in advance and I will always provide you with options so that you only pay for what you perceive to be good value. Is that okay with you?" Then and there, Steve decided he was in the right place.

The next day, Steve picked up the phone to call Bill. This conversation wouldn't be easy but he knew it had to be done. Steve now understood that he needed a team of professionals working together to help him achieve his financial goals.

Accountants who view their position as primary financial adviser as unassailable should think again. The greater the involvement of a financial adviser in a client's affairs the more likely it is that the accountant's role is vulnerable. Financial advisers don't take this responsibility lightly but they *will* recommend changing accountants where they sense clients are being held back.

It's remarkable how clients will readily pay more fees where there is a linkage between what they want and the services offered. By only looking through the rear view mirror, accountants may never actually find out what their clients' goals are, much less actively work with clients to achieve them.

## **PURPOSEFUL COLLABORATION CREATES POWERFUL OUTCOMES**

A couple of weeks later, Steve met with Kate and Damien to develop his business succession plan. Right from the outset, the meeting went well. To Steve it was clear that Kate and Damien had already pooled their knowledge about his situation and developed some ideas. They worked through the joint agenda with all three of them contributing to the discussion, then they prepared, an action plan covering strategies, structure, tax efficiency, record-keeping and implementation timeframes. At the end, Damien turned and asked, "Steve, how does all this look to you?"

Steve was excited with what had been put together and delighted his advisers were both involved in its development.

As very few accountants are adept at providing financial services, it makes sense to collaborate with one or more advisers with complementary skills. It's far better to be proactive about identifying advisers you are happy to work with, rather than working in forced collaborations with advisers of unknown quality.

Where such relationships are forged, much can be achieved by not just understanding one another's approach to typical situations but also by developing a combined methodology which produces optimal outcomes for such clients. This can all be enhanced by (a) obtaining client permission to share information on the client and (b) involving the client in the process.

The remarkable secondary benefit which ensues is that working together this way is highly enjoyable for all concerned.

## **AFTERMATH**

After the phone call from Steve, Bill sighed deeply: he hadn't seen this one coming. Bill thought of all the entities that he'd set up and maintained for Steve and the various matters he had looked after. All now gone. Despite all of Bill's busy-ness, something had obviously been missing for Steve to go elsewhere.

Bill turned attention to his client list. Come to think of it, he'd lost a few solid clients over the past 18 months and, they had all gone to firms which offered more than just compliance services. Sure, he'd taken on some new clients but what seemed to be happening was that the better clients were being replaced by smaller, more demanding clients. Progressively there was less potential in his list for the special work that he enjoyed and which ultimately boosted the firm's revenue. Bill walked down the corridor to share this assessment with Sarah his business partner.



## **A GRIM OUTLOOK**

Entering Sarah's office, it was clear that something was amiss. Sarah said, "I've just had a really tough conversation with Penny Barker, John's wife." John was a farmer client of Sarah's who had died in a tractor accident three weeks ago. At the time of his death, John had income protection insurance but no life cover.

With John gone, Penny would have to liquidate the farm and move into town, probably to live with her sister. "She was even looking for help with Centrelink benefit forms," said Sarah. "I felt awful that she was in this terrible position. And I barely know about Centrelink so I'm afraid I was not much use." Sarah paused. "You know, John and I never discussed life insurance. He was busy, I was busy and it just slipped under the radar. Poor Penny. Life is going to be very different for her from here."

It is not sufficient to simply offer compliance services. Clients of all types require additional services, without which there are significant consequences for clients and the firm.

Clients deserve to be told about matters that are relevant to their financial well-being. It's too late for example to be enquiring about insurance *after* a calamity.

### **What next for ABC Accountants?**

Bill and Sarah decided that they would much rather be proactive than sit back and watch their clients be picked off. They each undertook to reflect upon other services they would like to provide to their clients.

The good news is that, as we will see in the next chapter, ABC Accountants have recognised that there is a better way of doing business and, with this change of thinking, they can step up to play a more proactive role in the financial lives of their clients.

## **ACTION ITEMS**

- ☐ Conduct an inventory of planners you have worked with. Consider who you might be happy to work with in the future.
- ☐ If you are not currently in the practice of proactively referring your clients to a financial planner, compile the profile of a planner that you would be happy to work with.
- ☐ Conduct a client advisory panel with some of your top clients to find out where they would appreciate further assistance.

## **TOOLS**

-  Guide to running a client advisory panel.



THOMSON REUTERS

## PARTNERING WITH FINANCIAL PLANNERS

A guide to growth for accounting firms

Clients have needs beyond standard tax, audit, accounting and business advisory services. Especially in the areas of personal insurance, asset protection, investment advice, estate planning and retirement planning, many accountants have traditionally held back from taking a lead role. Yet clients would gladly welcome advice from their accountant in these areas.

As a former accountant in practice and now coach to both accounting and financial planning firms, the author Scott Charlton, provides clear guidance on how to incorporate clients' other needs and develop successful collaborations from which the accountant, financial planner and the client all benefit.

The author's many years of facilitating referral relationships have produced new and very practical insights, drawing out the best of what accountants and financial planners can provide to their clients. Filled with instructive case studies, *Partnering with Financial Planners* will be essential reading for accountants wishing to provide clients with a broader range of services.

Throughout the book, the author outlines the compelling opportunities for creating value for clients that flow from being involved in financial services. Supporting this are practical strategies on how to realise these opportunities, yet still meet existing client commitments.

From simple referral agreements through to establishing one's own licensed entity, all structures are explained and their merits discussed. The book explains why employing a financial planner is not necessarily the optimal solution, how a traditional partnership structure can stifle the development of a financial services division and who is best to lead a multi-disciplinary practice.

Given the important issue of the accountants' exemption being phased out as part of the *Future of Financial Advice* (FoFA) reforms, the book also gives direction on personal licensing. The author explains why, in his view, many practising accountants will now choose to become licensed to provide financial services advice and the implications of the draft standard APES 230 *Financial Planning Services* on the remuneration for these services.

*Partnering with Financial Planners* is a must read for accounting firms seeking to add further value to their clients.



**Institute of  
Chartered Accountants  
Australia**

© 2012 Thomson Reuters (Professional) Australia Limited  
ABN 64 058 914 668

For further information visit: [www.thomsonreuters.com.au](http://www.thomsonreuters.com.au)  
**Proudly printed in Australia**

ISBN: 978-0-864-60795-9

