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Capturing the Potential

How CPA Firms Are Building Successful Financial Services Practices

By Patricia J. Abram,
John J. Bowen, Jr.,
Russ Alan Prince
and Jeffrey A. Roush

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Executive Summary

As they seek to grow their profitability and better meet the needs of their clients, many CPA firms today have expanded beyond their established accounting and tax practices into financial services.

To understand how these firms are operating their financial services practices, CEG Worldwide undertook a comprehensive study of 394 CPA firms nationwide to develop benchmarks against which accounting firms can evaluate and compare themselves. In particular, we sought to understand what makes the most successful CPA firms offering financial services stand out from all the rest.

Our single most important finding was clear: CPA firms that adroitly leverage outside providers for their financial services practice are, regardless of size (as measured by the number of CPAs in the firm), more successful than the firms with in-house financial services practices. They generated higher revenues in 2003 and expect to generate substantially greater revenues in 2004.

But this finding, as well as the others in the study, points to an even more important conclusion. Given the high growth expectations of firms of every type, the firms see significant opportunities in this market. This would apply both for firms already in the business to expand their financial services operations and for firms not yet in the business to start up financial services practices.

From our data, we were able to distill five keys to successfully capturing these opportunities:

1. Use outside providers to access financial services.

2. Offer a wide range of financial services and products.

3. Target high-net-worth clients.

4. Leverage existing clientele.

5. Take advantage of outside resources.

By incorporating these best practices, CPAs will be well positioned to run their financial services practices profitably and, just as important, to provide their clients with the quality financial services they need.

Introduction

Recent years have seen substantial numbers of CPA firms add financial services to their traditional accounting and tax practices. In their ongoing efforts to meet their clients' needs while ensuring their own profitability, these firms have made financial products an integral part of their service offering. How are these firms faring? What is the scope of their product and service offering? Which business model for providing financial services is working best? What are the best practices among the most successful CPA firms providing financial services? And what are the opportunities for those CPA firms that do not currently offer financial services, but are contemplating expanding into the area?

In June and July 2004, CEG Worldwide conducted a comprehensive study to answer precisely these questions. We surveyed 394 CPA firms nationwide selected from the universe of all CPA firms in the financial services business (i.e., these CPA firms provide investments and/or insurance products for a fee and/or commission). The survey participant from each firm was the CPA in charge of the firm's financial services initiatives.

Because we wanted to include only those firms that have had time to fully assess how—and why—their financial services practices are working, we screened to include only those firms that have been in the financial services business for five years or longer.

Segmentation of the Study Group

We used a statistical process called cluster analysis to segment the surveyed accounting firms. The result was four segments based on two distinct features:

1. **Size of the firm:** those CPA firms with fewer than four accounting professionals and those with four or more accounting professionals. It's important to note that we based firm size on the number of *accounting professionals* and not the number of *financial services professionals*.

2. **Business model for financial services:** those firms whose financial services offerings are principally in-house (via employees of the firm) and those whose financial services are principally offered through strategic alliances with outside providers (typically one or more joint ventures with persons who are not employees of the firm). Each type was defined as doing 80 percent or more of their financial services business in that way.

As Exhibit 1 shows, this methodology yields four distinct groups:

- Firms with fewer than four accounting professionals and that have in-house financial services

Exhibit 1: Segmentation Methodology

		Size of Firm	
		Fewer than four accounting professionals	Four or more accounting professionals
Business Model	In-house financial services	I<4	I4+
	Financial services offered through strategic alliances with outside providers	E<4	E4+

(referred to here in our shorthand as I<4)

- Firms with four or more accounting professionals and that have in-house financial services (I4+)
- Firms with fewer than four accounting professionals and that offer financial services through strategic alliances with outside providers (E<4)
- Firms with four or more accounting professionals and that offer financial services through strategic alliances with outside providers (E4+)

This segmentation provided us with flexibility to look at the data in three ways: by size of firm, by business model and by a combination of the two. Because we can gain the greatest insight by understanding the differences in how each group operates, we will report each finding according to the segmentation that best highlights those differences.

Exhibit 2 shows the breakdown of the accounting firms in the study. Smaller firms overall comprised the majority of those studied (65.7 percent), while firms with in-house financial services, comprising 55.4 percent of the study group, slightly outnumbered firms that provide financial services through strategic alliances.

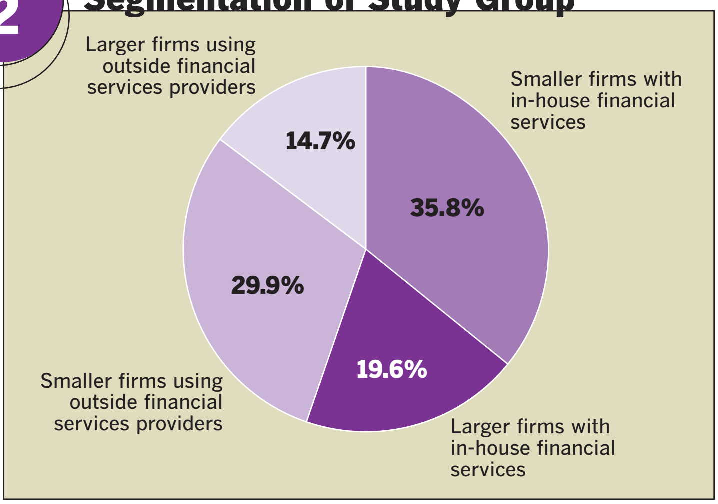
Reasons for Providing Financial Services

Our survey also asked firms about the reasons behind their decisions to move into the financial services business. Nearly all firms (93.4 percent overall) did so in order to better serve their clients. A large majority (86.0 percent) did so in order to be more profitable.

However, two other sets of responses revealed a notable difference between the smaller and larger firms. As Exhibit 3 shows, two-thirds (66.4 percent) of the smaller firms decided to offer financial products to their clients because their competition was doing so, compared to just half (49.6 percent) of the larger firms. More striking, over three-quarters (77.6 percent) of the smaller firms chose to offer financial products because of pressure on their accounting practices, compared to only one-third (32.6 percent) of the larger firms.

We can surmise from this data that the smaller CPA firms are feeling rather more competitive pressure in general than the larger firms—a not-unexpected result, given the increasing consolidation, which requires them to compete with ever-larger firms.

Exhibit 2: Segmentation of Study Group



N = 394 CPA firms. Source: CEG Worldwide.

Revenue from Financial Services

How much are CPA firms earning from their financial services practices? The study found that firms in each of the four segments earned substantially different amounts. As Exhibit 4 shows, average 2003 gross revenues ranged from a low of $392,000 for the smaller firms with in-house financial services up to $1,241,000 for the larger firms using outside providers of financial services.

The difference between the firms offering financial services in-house and those offering financial services through outside strategic alliances is striking. Smaller firms with in-house financial services earned less than half of what smaller firms using outside providers earned. Among the larger firms, those using the in-house model earned just 58 percent of what the firms using outside providers earned. Clearly a firm's choice of business model has a great impact on its revenue-generating capability.

(It's important to note that we are reporting only the revenue earned from financial services by the accounting firm, and not by any of the outside financial services providers. If we were to include the revenue earned by the outside providers, it's clear that the firms using outside providers, together with their strategic alliance partners, are earning even more than the firms with in-house practices.)

To understand the firms' outlooks for the immediate future, we asked them to project their 2004 gross revenues from financial services. All groups project substantially higher revenues for 2004. At the lower end, the smaller firms with in-house financial services project a 39.3 percent revenue increase to $546,000. At the high end, the larger firms with outside financial services project an impressive growth rate of 97.5 percent, with average revenues growing to $2,451,000.

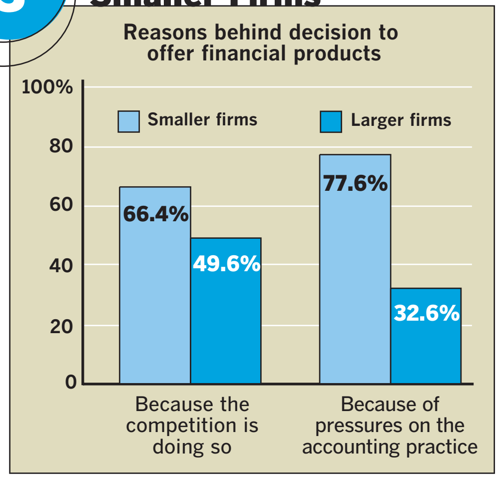
The firms using outside providers have obviously been more successful, a good reason for their greater optimism. And while we often find that firms of every kind are overly optimistic when projecting revenues, it's important to note that half of 2004 was over when the surveyed firms made their projections for the year—presumably grounding those projections in some reality.

We know, then, that the firms using outside financial services providers are earning (and expect to continue earning) higher gross revenues than the firms that provide financial products in-house, a point that holds true regardless of the size of the firm. But the discussion of revenue does not end here.

Because they rely on outside providers, the firms using the strategic alliances model earn a substantially higher profit on their revenue. Firms with in-house financial services must pay salaries, benefits and other overhead for their financial services employees—all of which must be drawn from their revenue.

In contrast, firms that rely on outside providers have much lower costs and therefore substantially higher profit margins. Without the direct costs and overhead associated with employees, nearly all their financial services revenue will end up on the bottom line. Almost by definition, the firms using outside financial services providers enjoy a substantially higher profit margin on their financial services revenue.

EXHIBIT 3 The Heat Is on Smaller Firms



N = 394 CPA firms. Source: CEG Worldwide.

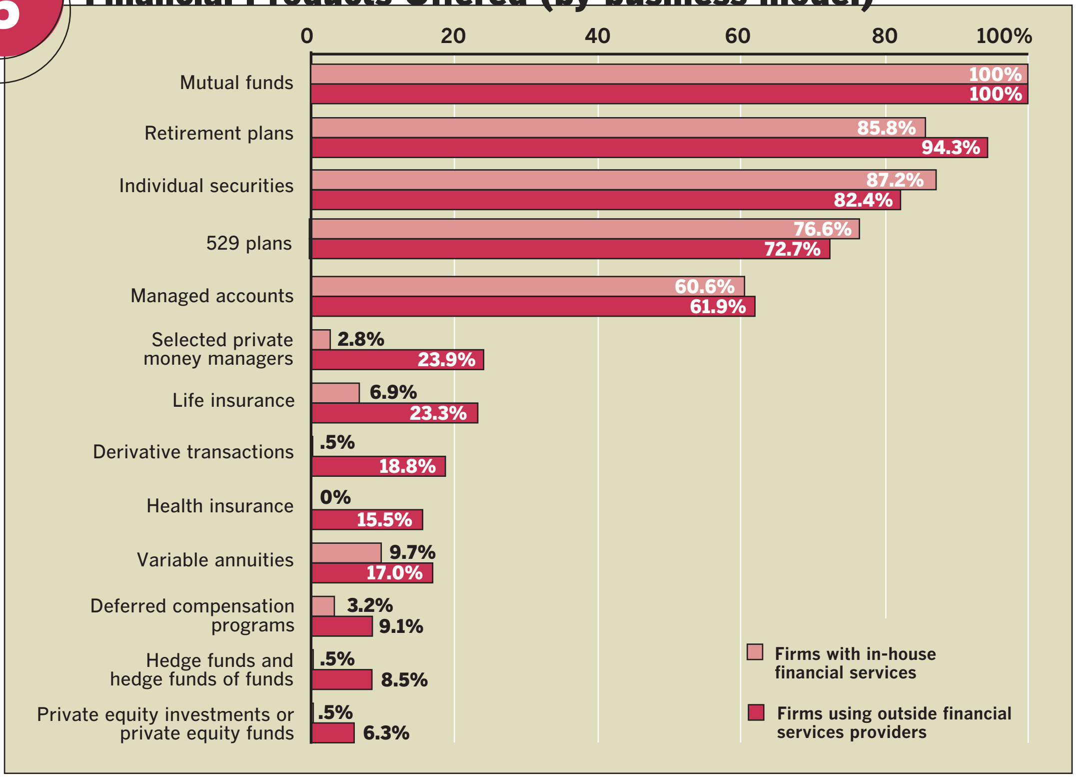
EXHIBIT 4 Gross Revenue per Firm from Financial Services (by segment)

	2003 Revenue (Average)	2004 Projected Revenue (Average)	Projected Increase from 2003 to 2004
Smaller firms with in-house financial services	$392,000	$546,000	39.3%
Larger firms with in-house financial services	$718,000	$1,037,000	44.4%
Smaller firms using outside financial services providers	$834,000	$1,359,000	62.9%
Larger firms using outside financial services providers	$1,241,000	$2,451,000	97.5%

N = 394 CPA firms. Source: CEG Worldwide.

EXHIBIT 5

Financial Products Offered (by business model)



N = 394 CPA firms. Source: CEG Worldwide.

The Financial Services Practice Today

To understand what CPA firms' financial services practices look like, our study delved into the types of financial products that they are offering (and expect to offer in the future), as well as the planning services they are providing to clients.

Financial Product Offering

In terms of the range of financial products CPA firms offer, we found both similarities and differences between the two business models. Not surprisingly, 100 percent of firms of both models offer mutual funds. Large majorities of both types of firms offer retirement plans, individual securities, 529 plans and managed accounts, as well. (See Exhibit 5.)

When we looked at the some of the less common and more sophisticated financial products, however, we did find some important differences between what is offered by the two business models. For example, 23.9 percent of the firms using outside providers for financial services offer selected private money managers, but just 2.8 percent of firms with in-house financial services do so. Likewise, 23.3 percent of the firms with outside providers for financial services offer life insurance, but only 6.9 percent of the firms with in-house financial services do so. Similarly, 18.8 percent of the firms using outside providers offer derivative transactions, but they are offered by only 0.5 percent of the firms with in-house financial services.

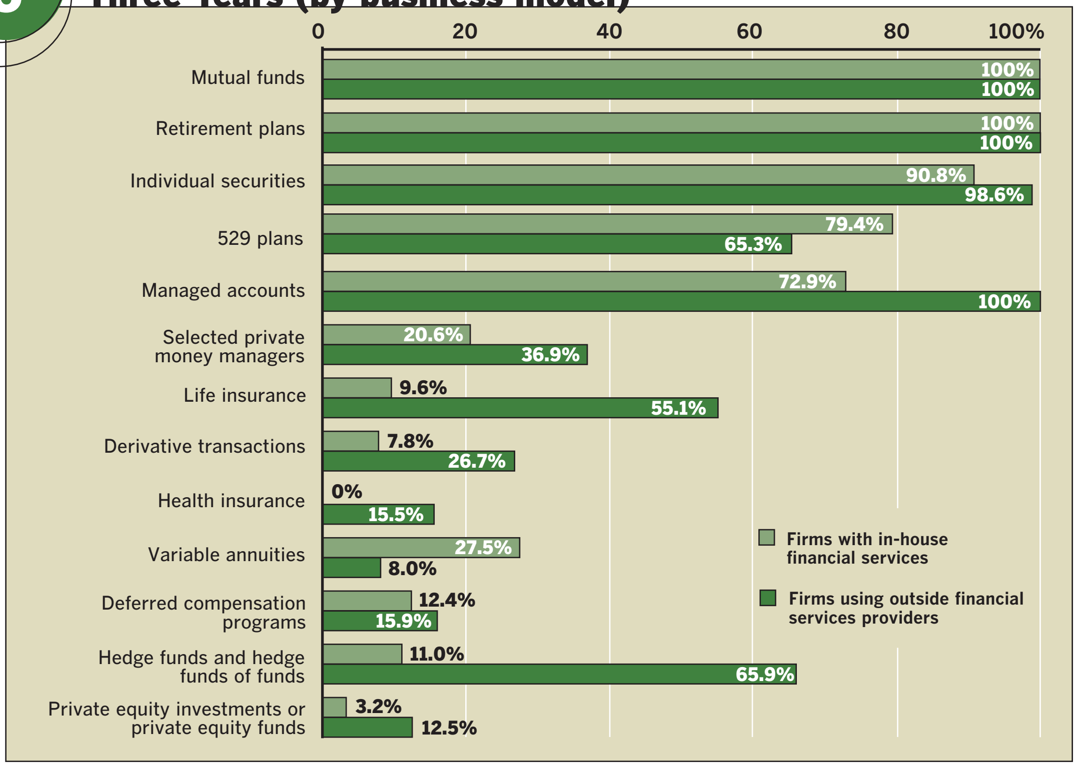
The pattern repeats itself with other products, including health insurance, variable annuities, deferred compensation programs, hedge funds and private equity investments. In every case, the firms with outside providers offer these products more often than the firms with in-house practices.

So generally speaking, the firms that rely on outside providers offer a more expansive range of financial products. We believe that this is because they have few constraints on what they can offer; if clients want a particular product, the firm needs only to make an arrangement with an outside provider.

For firms with in-house financial services, however, the task is much more challenging. They must locate, attract and hire a financial services professional with the appropriate expertise—a job made even more difficult by the cultural differences that exist between CPAs and financial services professionals. Even more important, they must be able to compensate that expert adequately—something most firms find difficult, if not impossible, to do.

When asked to project which financial products they

EXHIBIT 6 Financial Products Projected to Be Offered in Three Years (by business model)



N = 394 CPA firms. Source: CEG Worldwide.

would offer in three years, firms nearly universally predicted that they will expand their offerings. As Exhibit 6 shows, with the exceptions of 529 plans and health insurance, more firms expect to offer more products.

Assuming that they follow through on their projections, the number of firms with in-house financial services that offer the less common and more sophisticated products will grow, but they still won't close the gap with the firms using outside providers. Again, the ease with which these firms can add to their product line is apparent.

The data suggests that the firms using outside providers will take advantage of this in two areas in particular. Again assuming that they follow through on their projections, the number of these firms offering life insurance will double (from 23.3 percent to 55.1 percent) and the number offering hedge funds and hedge funds of funds will grow more than sevenfold (from 8.5 percent to 65.9 percent). Given the importance of life insurance in particular as a revenue driver throughout the financial services industry, we believe that these firms can expect to be well rewarded for their expansion into this area.

The CPAs' projections that they will offer more sophisticated products in the future reflect the general pressure they are feeling to increase their product line. With more and more professional advisors (and not just CPAs) getting into the financial services business, they see more and more clients bringing them investment proposals from other advisors that contain these sophisticated products. This client-driven demand—especially the demand from affluent clients—is pushing them in this direction. That the firms using strategic alliances for their financial services anticipate meeting these demands in greater numbers speaks well of their responsiveness to their affluent clients and prospects.

Planning Services Offering

When we looked at the planning services offered by the CPA firms, our study found that these firms are very investment oriented, with 100 percent of all firms offering investment planning and consulting. Retirement planning is also extremely important, as is tax planning. (See Exhibit 7.)

We again see a break in some of the services between what is offered by firms of each business model. While 84.7 percent of firms using outside providers offer comprehensive financial planning, just 55.0 percent of the firms with in-house practices do so. This is likewise the case with estate planning, where the split is 65.9 percent to 39.0 percent.

It's worth noting that few firms overall offer retirement distribution planning. Like life insurance sales, this is a very important revenue driver throughout the financial services industry, yet is largely ignored by CPA firms in the financial services business, especially those that have in-house practices.

Target Markets for the Financial Services Practice

Which target markets are important to future success in the financial services business? Given that the types of clients a firm targets greatly affect a firm's ability to generate substantial revenue, as well as to significantly grow that revenue, this is an extremely important issue.

Most firms overall (88.1 percent) believe that affluent individuals and families will be an important target market for future success. Likewise, over two-thirds (69.3 percent) see existing tax clients as important. Neither of these findings is surprising. Every survey of financial services companies we have ever conducted has found that firms almost universally want affluent clients. And it is a given that most CPA firms would look to their existing tax clients to provide business for the financial services practice.

Beyond these two target markets, however, we found some major differences in the types of clients targeted by smaller firms when compared to the larger firms. (See Exhibit 8.)

For example, a majority of smaller firms (61.0 percent) see average employees at corporations as an important target market, compared to just 10.4 percent of larger firms. Given the average incomes of such employees, these smaller firms would not appear to be aiming particularly high in the level of affluence of the clients they attempt to attract.

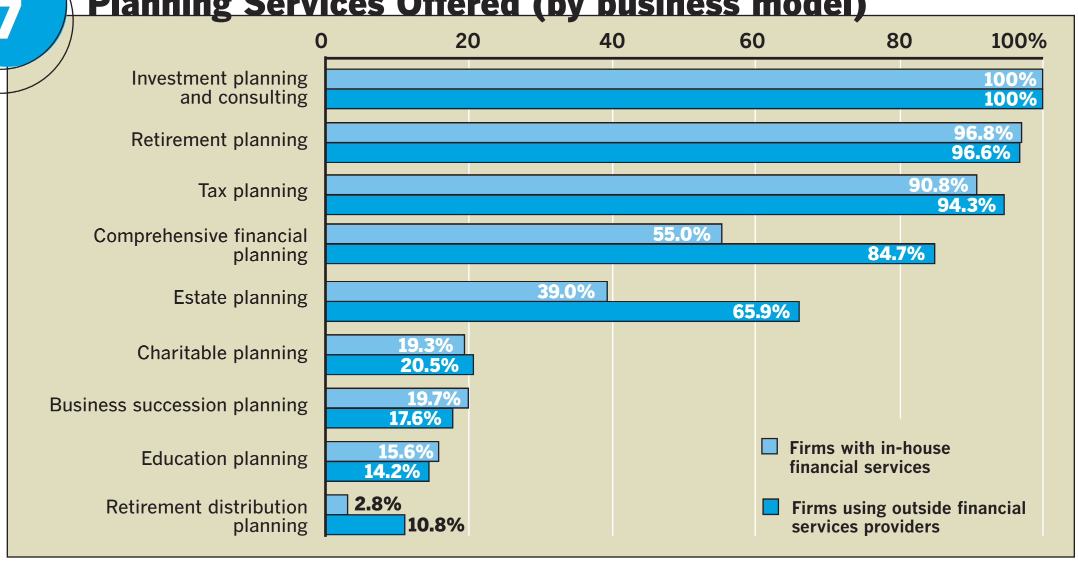
In contrast, two-thirds of the larger firms see the importance of two key higher-income groups—small and mid-sized business owners—compared to minorities of the smaller firms. Substantially more of the larger firms also see senior corporate executives and retirees as important target markets. In general, the focus of the larger firms on higher-income and higher-net-worth prospects speaks volumes about their future ability to grow revenue from financial services.

It's also revealing that while 84.9 percent of smaller firms see affluent individuals and families as an important target market, our study showed that only half of them—51.4 percent—see training in how to actually work with high-net-worth clients as important. This would lead us to question the actual commitment of these smaller firms to working with an affluent clientele in their financial services practices.

Bridging the Culture Gap with Financial Services Professionals

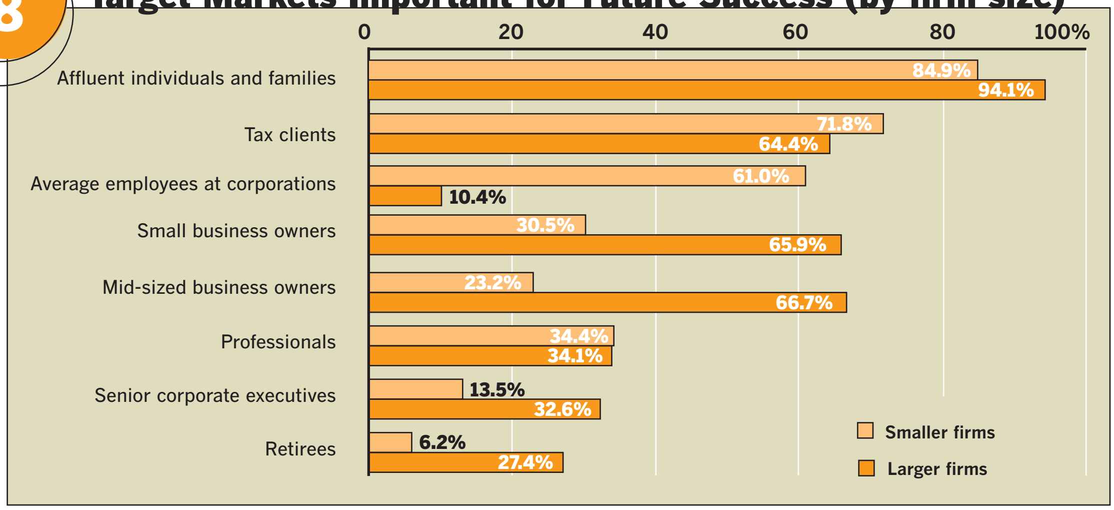
The concerns CPAs have about working with financial services professionals highlight the fundamentally different approaches of the two groups in working

EXHIBIT 7 **Planning Services Offered (by business model)**



N = 394 CPA firms. Source: CEG Worldwide.

EXHIBIT 8 Target Markets Important for Future Success (by firm size)



N = 394 CPA firms. Source: CEG Worldwide.

with clients, providing advice and dealing with risk.

Overall, 59.4 percent of firms indicated a concern about their financial services professionals not understanding how CPAs do business—the classic cultural conflict. Many more firms using outside financial services providers expressed this concern (75.6 percent) than those with in-house practices (46.3 percent). Presumably, the firms with in-house financial services for whom this is not a concern have already resolved any such conflicts with their employees.

That their financial services professionals are not as concerned as the CPAs about what is best for the client is an issue for one-third (33.5 percent) of firms overall and for a somewhat higher proportion of the firms using outside providers. Also a concern for 28.9 percent of firms overall is that their financial services professionals are too sales oriented—another indication of the culture conflict.

It's clear that while surveyed CPAs understand the importance of providing financial services, many also fear the possibility of losing clients because of actions by their financial services professionals—giving advice on risky investments, for example.

On the other hand, the areas where CPAs have little concern illustrate just how well they are working together. Just 15.7 percent expressed a concern that their financial services professionals might "steal" their clients, for example. Only 11.2 percent have concerns about a lack of integrity of their financial services professionals. And fewer than one in ten sees an unfair division of work.

Overall, as Exhibit 9 shows, the numbers reveal that relatively few firms overall harbor major concerns about working with financial services professionals. While these issues were much discussed in the past by CPAs contemplating entering financial services, time has shown that these concerns are largely unfounded for most firms.

EXHIBIT 9 Concerns About Working with Financial Services Professionals (all segments)

Concern	CPAs Holding This Concern
They do not understand how CPAs do business—there will be cultural conflicts.	59.4%
They are less concerned than CPAS about what is best for the client.	33.5%
They are too sales oriented.	28.9%
They may "steal" clients.	15.7%
They lack integrity.	11.2%
The division of work is unfair.	9.6%
There is a potential for compensation conflicts.	7.6%

N = 394 CPA firms. Source: CEG Worldwide.

Factors for Success

To better understand the factors that set the most successful CPA firms apart from their less successful peers, our survey asked CPAs for their perceptions about what will drive their future success.

We found overwhelming agreement among all four segments on one factor: understanding the best practices for incorporating investments into an accounting practice. Of surveyed CPAs, 99.0 percent believe that this fundamental issue will be important to their success in the future.

For other factors, however, we found significant differences between what the firms of each business model see as important to their future success in financial services. (See Exhibit 10.) Because they are so revealing about what makes each of these types of firms "tick," it's well worth examining each one:

Training in how to work with high-net-worth clients. While nearly three-quarters (73.3 percent) of firms using outside providers see this as an important factor in their future success, just 36.7 percent of firms with in-house financial services do. Clearly, the firms with outside providers see the ability to work with affluent clients as integral to their success. In contrast, the affluent are not on the radar screens of most firms with in-house financial services—they do not have high-net-worth clients or believe they never will. (It's worth noting that we did not specifically define "high-net-worth" for study participants.)

Transitioning accounting clients to financial services clients. This issue is much more important to the firms with in-house practices (98.2 percent) than to those using outside providers (76.7 percent). This is not surprising, given that the firms with in-house practices must be ever diligent about ensuring that the financial services revenues cover their costs. An obvious avenue for doing this is to convert existing accounting clients into financial services clients. Without this cost concern, the firms using outside providers are less likely to see this as important to their future success in providing financial services.

Training in developing business and marketing plans for the financial services practice. While 85.3 percent of the firms with in-house practices see this as important to future success, only half (49.4 percent) of firms using outside providers do. Again, this is of little surprise, given that the firms with in-house practices must support the development of a vital part of their own businesses. Firms using outside providers, in contrast, are generally freed from this task once they have agreements in place with external product providers.

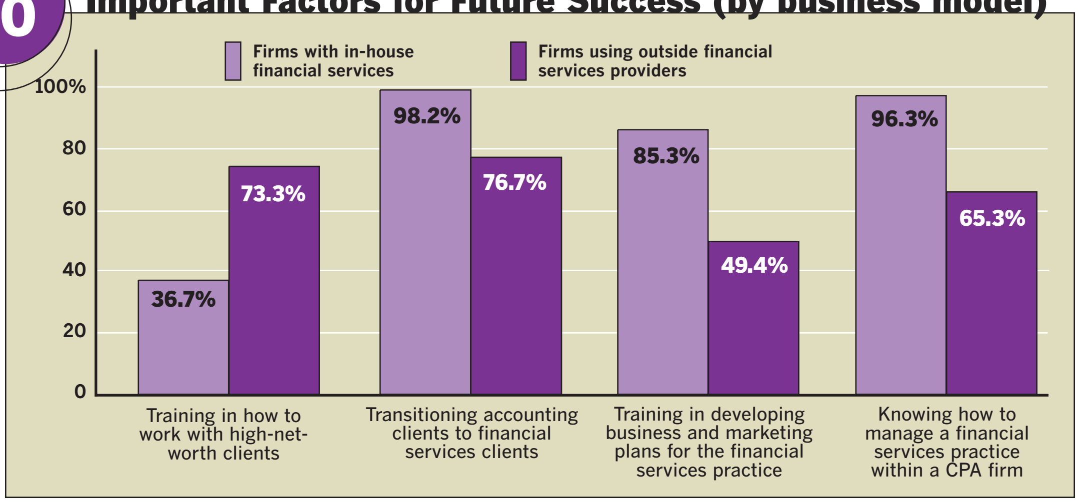
Knowing how to manage a financial services practice within a CPA firm. Many more firms with in-house practices (96.3 percent) see this as a success factor than do firms using outside providers (65.3 percent). This again highlights a key advantage of the firms using outside providers of financial services. Because the financial services practice is not an integral part of the business itself, these firms do not need to devote substantial resources to managing it.

As Exhibit 11 shows, we also found important differences between the smaller and larger firms in how each views two key factors for future success:

Cultivating new, non-accounting clients for the financial services practice. While this is a concern for most smaller firms (64.9 percent), it is a concern for only 28.9 percent of the larger firms. We can surmise from this that the larger firms believe that they already have enough clients to transition to the financial services

EXHIBIT 10

Important Factors for Future Success (by business model)



N = 394 CPA firms. Source: CEG Worldwide.

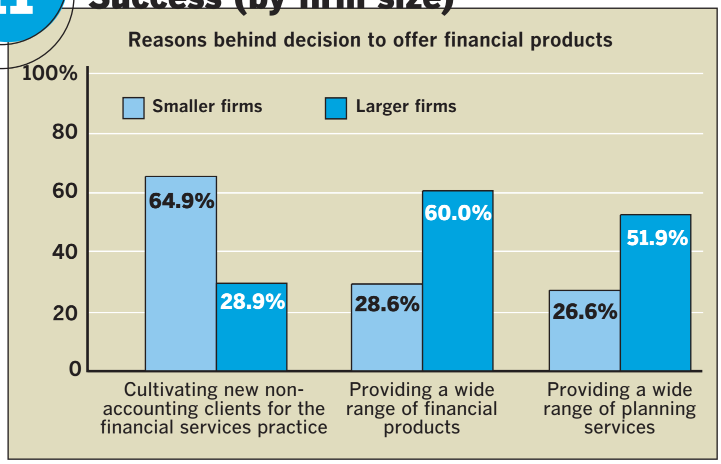
practice. With the potential to leverage these clients, they do not need to look beyond the firm to bring in new clients just for the financial services practice. In contrast, most of the smaller firms believe that the financial services practice will be a profit center in itself—one that requires brand-new clients to be successful.

Providing a wide range of financial services. Larger firms are much more likely to see offering a broad range of financial services as important to their success. Of these firms, 60.0 percent see offering a wide range of financial products as important, while 51.9 percent see offering a wide range of planning services as important. In contrast, just 28.6 percent of smaller firms see offering a wide range of financial products as important, and 26.6 percent see providing a wide range of planning services as important.

It's of interest that one issue did not register as an important factor for success for most firms. Only 22.8 percent of firms overall indicated that understanding the best practices for incorporating life insurance into an accounting practice was important for future success. This again reveals the heavy investment-orientation of most CPA firms, and their disinclination to focus on insurance.

EXHIBIT 11

Important Factors for Future Success (by firm size)



N = 394 CPA firms. Source: CEG Worldwide.

What the Future Holds

Finally, we asked CPAs about their perspectives on the future of accounting firms in the financial services business. As Exhibit 12 shows, CPA firms of both business models are largely in agreement on key issues.

Overall, 71.3 percent of surveyed firms believe that accountants will increasingly access business support from outside providers, such as broker-dealers and product vendors. Somewhat more of the firms using outside providers held this view—not surprising, given that they are already comfortable accessing outside resources.

Firms generally see that providing financial services will make accounting firms much more competitive with other types of financial product providers. These firms understand that in today's environment, with its blurring of the traditional lines between financial product providers, they cannot effectively compete on the offering of accounting services alone.

Half of those surveyed also believe that firms will be better able to leverage their accounting practices in order to obtain clients for their financial services practice. This is a key point because, especially for the firms using outside providers, the firm itself is the prospecting mechanism. The firm already has clients, and a major reason for having a financial services practice at all is to grow the revenue from those clients. These accountants know that expertise and insight alone are not enough to have a successful financial services practice—they also need a way to effectively drive clients to that practice.

About half of all surveyed CPAs believe that more and more accounting firms will begin to offer financial services, although substantially more of the smaller firms (60.2 percent) believe so. We attribute this to the greater competitive pressure on the smaller firms, which was itself a major reason these firms chose to enter the financial services business.

We also see from Exhibit 12 that more than three-quarters of the firms using outside providers believe accountants will form joint ventures in order to provide many financial products to their clients, a belief shared by just a handful of the firms with in-house practices. This obviously falls along party lines and speaks to each type of firm's commitment to its current business model.

It's telling that only 10.4 percent of surveyed CPAs said that accountants will need to gain more expertise on their financial products. This contrasts with a 2002 CEG Worldwide study of CPAs that found that 51.4 percent of significant providers of investments believed that being an expert on the technical aspects of investing was a key success factor.

Why the change? It's likely that there's been a general realization that it simply isn't an effective use of time to attempt to become an expert in an entirely new field. Instead, CPAs realize that they can leverage the expertise of others, whether that is their internal financial services group or outside providers. Rather than being the experts themselves, most CPAs now see their roles as being the ones to bring in the right kinds of experts.

Capturing the Potential in Financial Services: Five Keys for Success

Given the high expectations for revenue growth among every type of CPA firm surveyed, it's clear that substantial opportunities remain in this market. And these opportunities are not just for firms already in the business to expand their financial services operations, but also for accounting firms that are not yet in the business to start up financial services practices.

From the wealth of data collected in our survey, we were able to distill a set of five best practices of the most successful CPA firms offering financial services. If you are looking for ways to grow the success of your firm, consider implementing each of these.

1. **Use outside providers to access financial services.** As our findings show, CPA firms that rely on outside providers for their financial services practice are, regardless of size, more successful than the firms with in-house financial services practices. They generated higher revenues in 2003 and expect to generate substantially greater revenues in 2004. Because of their much lower costs to provide financial services, they also have substantially higher profit margins.

The firms using outside providers also gain other advantages, most notably the ability to offer a wide range of financial services and products, and lower initial costs to put in place the infrastructure for providing financial services. Their time to market (and to earn revenue and profits from financial services) is much shorter than that of the firms with in-house practices, which must build their capabilities from the ground up. And the outside-providers model also allows firms to continue to concentrate on their core competencies in accounting and taxes—expertise that is the basis for their ability to attract clients and obtain referrals.

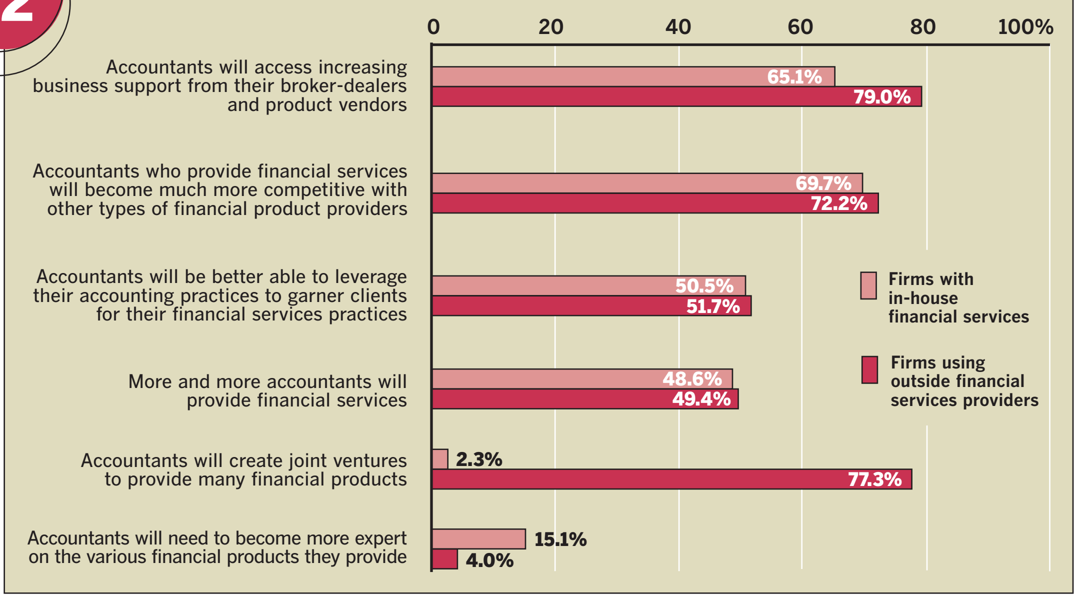
It is telling that there has been a consistent lack of success among the national accounting firms in building financial services businesses in-house. Despite their large capital resources, they have by and large ended up shifting their financial services businesses to external groups. The message here is that money alone will not solve the challenges faced by firms in building in-house practices.

Exhibit 13 offers a summary of some of the key advantages and disadvantages of each business model. While each model enjoys its own inherent advantages, we find that on balance the businesses using outside providers have the greatest advantages—ones that directly add to their firms' bottom lines.

We realize that firms that have already invested in an in-house financial services practice have a substantial commitment to that business model in place. However, at a time when the financial services industry as a whole is adapting to changing conditions at a rapid pace, you owe it to your firm to consider doing the same. So even if you are a CPA with a firm offering

EXHIBIT 12

The Outlook for Financial Services in the Future



N = 394 CPA firms. Source: CEG Worldwide.

EXHIBIT 13 Business Model Advantages and Disadvantages

	Firms with In-house Financial Services	Firms Using Outside Financial Services Providers
Ability to realize a substantial profit margin on financial services practice	**Lower**	**Higher**
Ability to easily offer a wide range of financial services and products	**Lower**	**Higher**
Requirement for initial investment in infrastructure to support financial services	**Higher**	**Lower**
Ability to quickly move into the financial services business	**Lower**	**Higher**
Ability to continue to focus on core competencies	**Lower**	**Higher**
Potential for disclosure and liability issues	**Lower**	**Higher**
Potential for cultural conflicts with financial services professionals	**Lower**	**Higher**
Potential for conflicts over division of work	**Lower**	**Higher**
Potential for conflicts over compensation	**Lower**	**Higher**

N = 394 CPA firms. Source: CEG Worldwide.

in-house financial services, you should still take the opportunity to evaluate whether you might be better served by moving to the other business model.

2. **Offer a wide range of financial services and products.** As we've seen, the firms earning the highest revenues (the firms using outside providers) also tend to offer the most financial products and planning services. Their ability to do so gives them a critical competitive advantage at a time when so many different types of professional advisors are moving into the financial services business. It is no longer enough to offer only a handful of services. Clients—and especially affluent clients—increasingly expect to be able to obtain all their needed services and products from a single provider. At the same time, they still expect the high-quality offering to be supported by experts in the field.

3. **Target high-net-worth clients.** While most firms express a general desire to work with affluent clients, the more successful firms are very specific, targeting particular groups of the affluent (such as business owners, corporate executives and retirees) and seeking out training in working effectively with these clients.

4. **Leverage your existing clientele.** The more successful firms think of their accounting practices as the major prospecting mechanisms for their financial services practices. Transitioning existing clients to the financial services offering is immensely more effective (and cost-effective) than prospecting for brand-new clients. And for the firms using outside providers, the ability to leverage existing clients is critical to working successfully with their strategic alliance partners, whose primary motivation is access to the firm's clients.

5. **Take advantage of outside resources.** At a time of increasing complexity, when it is impossible for any single firm (and certainly for any single individual) to provide all the expertise clients need, reliance on outside experts is crucial. This applies not just to the firms who use outside providers for financial services, but to all firms. As our data shows, the most successful firms believe that they do not need to provide needed expertise themselves, and they increasingly look for support from their partners, such as their broker-dealers and product vendors.

Conclusion

It's clear that the opportunity that has existed in recent years for CPAs to profitably offer financial services is being realized by a substantial number of firms. With substantial gross revenue figures—an average of $1,241,000 in 2003 for the larger firms using outside providers, for example—these firms are using their financial services practices to significantly grow their net incomes while better meeting the needs of their clients. And with substantial growth projected in these revenues, the future appears promising.

While the market is no doubt maturing, it still leaves ample room for CPAs who wish to enter the financial services business or to grow their existing financial services practice. If you are among these CPAs, you now have a road map that spells out the most important steps you can take to ensure your continued success.

You are your clients' most trusted advisor. You owe it to them to intentionally plan not just for their financial success, but for your firm's success as well.

About CEG Worldwide

CEG Worldwide's founder, John J. Bowen, Jr., first identified the key factors that contribute to a financial advisor's success while working with elite advisors. Recognizing that this knowledge would have substantial impact on advisors, their clients and the industry itself—not only from a financial perspective, but also in improving the quality of life for advisors—Bowen and his partners launched CEG Worldwide.

The firm's mission is to provide financial advisors and the institutions that serve them with insights, strategies and tools to significantly grow their businesses and better serve their clients. CEG Worldwide is uniquely positioned to combine leading empirical research expertise with pragmatic, proven business experience. The company is able to offer elite financial advisors, as well as the financial institutions serving these advisors, practical guidance that works. CEG Worldwide calls it *Institutional Strength Intelligence*.

About the Authors

Patricia J. Abram. A CEG Worldwide senior managing principal, Patricia Abram has 25 years of success in the financial services industry, including five years as senior vice president and chief marketing officer of American Skandia, Inc., where she played a key role in the record-setting growth of that company. Prior to joining American Skandia, she was senior vice president and chief marketing officer of Mutual Service Corporation, where she was also a member of the executive committee and the management committee, and oversaw all marketing functions. A prolific writer and speaker, she has conducted hundreds of presentations nationally and internationally, and has made numerous presentations to the Financial Planning Association Annual International Convention, NAVA, Institute of Certified Financial Planners and national wholesaler groups.

John J. Bowen, Jr. CEG Worldwide's founder and president, John Bowen has long been known as a leader in the area of adding value to financial services firms. Bowen started his career as an independent broker-dealer representative and then became a fee-based financial advisor. He was ultimately named the CEO of Reinhardt Werba Bowen (RWB), a money management firm that helped other financial advisors raise billions of dollars in assets. In 1998, Bowen became CEO of Assante Capital Management upon the acquisition of RWB by Assante. He left Assante to start CEG Worldwide in 2001 in order to help advisors realize substantial success through the use of CEG Worldwide's business development systems. He writes a highly acclaimed monthly column on building great financial advisory firms for *Financial Planning*. He is the author of three books: *The Prudent Investor's Guide to Beating the Market*, *Creating Equity: How to Build a Hugely Successful Asset Management Business* and *The Prudent Investor's Guide to Beating Wall Street at Its Own Game*.

Russ Alan Prince. Internationally recognized as one of the foremost experts on the high-net-worth investor, Russ Alan Prince works with both financial institutions and elite financial advisors focused on the affluent market. In addition to his position as director of research for CEG Worldwide, he is a columnist with *Trusts & Estates*, *Financial Advisor*, *National Underwriter* and *Probe*. He is the author of 30 books focused on the high net worth market and advisor-based distribution, including *Inside the Family Office, Wealth Management*, *High-Net-Worth Psychology*, *Marketing to the Affluent* and *Cultivating the Affluent*.

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