



Your Future is Built Today™

CHOREOgraphing your Client's Planning WALTZ

The last few years have thrown a lot at successful accounting firms.

CPAs who work with small- and middle-market businesses and business owners face acute challenges.

As tax compliance burdens grow, there are fewer qualified CPAs in the labor pool¹. Significant CPA labor is required to make up for the large number of clients who present themselves as unprepared for annual tax compliance burdens². Having good, qualified people is often not enough – retaining great people in this new world of hybrid work is also a significant burden³.

At the same time, the accounting industry has heard the call to shift from a compliance-based practice model to an advisory or consultative model. The once-per-year tax return prep relationship, while still ubiquitous in the industry, has become less and less the domain of the mid-size accounting firm (evidenced by the second quarter Super Bowl ad that Turbo Tax ran last last year⁴!).

What is a CPA firm to do when faced with the challenge of transforming a long-standing business model in the face of unprecedented economic forces?

How about **CHOREOgraphing** a **WALTZ** with your clients?

No, not the dance sensation that swept aristocratic ballrooms across Europe in the 19th century. This WALTZ focuses on your client's overall financial health and allows you to begin the shift to an advisory service model:

- **W**ealth Planning
- **A**sset Protection
- **L**ong-Term Investing
- **T**ax Planning
- **Z**eroing In on Planning Opportunities with the Client's Advisory Team

CPAs who want to take the next step in their client relationships, provide additional value-added services and invest in your firm's revenue and growth need only partner with a firm like Choreo. Choreo brings 20+ years of experience to advising affluent families and business owners with respect to billions of dollars of wealth. Choreo's tax and financial planning heritage can make the financial advisor-CPA relationship operate more efficiently for accounting firm clients.

¹ <https://controllerscouncil.org/the-continued-cpa-and-accountant-shortage-in-2023/#:~:text=Though%20the%20industry%20peaked%20in,accountants%20and%20auditors%20each%20year.>

² <https://cpatrendlines.com/2023/01/23/tax-2023-your-biggest-problems/>

³ 2022 AICPA Private Companies Practice Section (PCPS) CPA Firm Top Issues Survey

⁴ <https://www.ispot.tv/ad/q9DC/turbotax-live-super-bowl-2022-pre-release-what-if-featuring-jason-sudeikis>

The Choreo-CPA partnership model is about engaging with clients together. Unlike other pure referral arrangements that focus on simply handing off the client for a passive revenue share, Choreo advisors work with CPAs to deliver multifaceted, comprehensive financial and wealth services that align closely with tax and accounting results.

Here is a better understanding of the services comprising the typical client WALTZ – and how you can begin to think about delivering these services to your clients.

WEALTH PLANNING

Business owners almost always⁵ go too long before thinking about their own estate and business succession planning. Sure, most business owners have an old, dusty estate plan and can come up with one or two employees who might keep the ship running in an emergency.

But how many business owner clients have comprehensive plans that efficiently pass accumulated wealth, create legacy, and cash in on years of hard work building a business? While there are many reasons for disjointed or non-existent planning, one perhaps stands above the rest – it's difficult.

It is difficult to gather up the team of professionals and collective experience required to handle these questions. The Choreo-CPA partnership is the foundation of this planning team.

As you consider your business owner clientele, give thought to the following questions:

- 1. How many of your business-owner clients have up-to-date estate plans appropriate for their level of wealth and current family situation?**
- 2. How many of your clients' businesses would need to undergo a "fire sale" if the primary owner/operator passed away?**
- 3. How many of your clients have determined whether an intrafamily succession of their business is possible or whether a third-party sale is necessary?**

ASSET PROTECTION

Client attitudes toward asset protection tend to come in two polar extremes: blissfully ignorant and extremely focused.

Many clients have a vague understanding of liability insurance and place the minimum necessary coverage, trading valuable protection to save pennies. Just as often, clients tend to have a smattering of haphazard life and disability insurance purchased without an overarching plan.

Clients often form business entities (corporations, LLCs), but fail to follow necessary formalities. Just as often, many clients, especially business owners, underestimate their risk profile. Personal guarantees, some employee discrimination claims, and even fiduciary duties owed to business partners are difficult or impossible risks to insure. While some may have a vague sense of these risks, others go totally undetected – like the risk a business owner faces when he or she serves as fiduciary to a company-sponsored retirement plan.

These risks to every business owner's wealth require further outside creditor protection planning.

Consider these questions for your clients:

- 1. If a client passed away or became disabled tomorrow, would his or her family have access to immediate or ongoing cash to deal with this unforeseen circumstance?**

⁵ <https://www.cpapracticeadvisor.com/2017/09/05/72-of-small-businesses-dont-have-succession-plan/>

2. **Do your clients respect the “formalities” of their business entities? In a lawsuit, could they prove they keep adequate books and records?**
3. **For a client with one or more minority business partners, does the client know, understand and act with the obligations of his or her fiduciary duties in mind?**
4. **When was the last time your client kicked the tires on the company’s retirement plan, costs, fees, investment selections and fiduciary risks?**

LONG-TERM INVESTING

With the rise of so-called “robo advisors,” it is expected that north of \$3 trillion dollars will be managed by algorithms and artificial intelligence by 2027⁶. Research also indicates that only a small number of active investment managers beat the S&P 500 over the long term⁷. As a result, many individuals are happy to simply “set it and forget it” when it comes to investing.

What this approach can lead to is disjointed and incoherent investment strategy. This often leads to concentrated positions or investment allocations that don’t fit any financial goals. Liquidity planning is another major concern, ensuring that clients have enough cash reserves to support business downturns and lifestyle needs.

Financial planning, including goals-based planning, retirement planning and, of course, investment selection and asset allocation, have long been the domain of wealth advisors like Choreo. Unfortunately, many advisors treat the financial plan as the unfortunate prerequisite to selling products or earning commissions.

Give thought to some of the following financial planning considerations that might affect your clients:

1. **Does your client collect 1099s or K-1s like baseball cards, with multiple investment accounts or passive deals and no clear, overarching investment strategy?**
2. **Do you have clients who often talk like day traders, focusing on one stock, industry or investment with seemingly no overall investment plan?**
3. **Does your client work with a “broker” who takes commissions or fees from investment sales rather than engaging the client in an overall, comprehensive wealth plan as a fiduciary?**

TAX PLANNING

Successful clients don’t often miss great business opportunities. Great tax planning opportunities – well, that can be another story sometimes.

You know your clients well and undoubtedly help them execute on smart tax planning, but comprehensive tax planning can be difficult in client relationships for a variety of reasons. Some clients silo their advisors, handcuffing them from providing great comprehensive tax planning (including income tax, estate tax, and state and local considerations). Other clients may not see the value of, and thus may not want to pay for, tax planning. This is where the CPA-Wealth Advisor relationship can bring major horsepower to a client’s financial world.

⁶ <https://www.magnifymoney.com/investing/robo-advisor-aum/>

⁷ <https://www.pionline.com/investing/active-funds-reach-decade-high-rate-sp-500-outperformance-report#:~:text=As%20time%20goes%20on%2C%20the,over%20the%20past%2015%20years.>

Imagine living in a world where your client's wealth advisor views tax savings on par with investment returns. Consider the possibility that there are tax-focused wealth advisors who make your life easier by helping to orchestrate ongoing tax planning calls and year-end reviews, and collect tax return source documents. This is where Choreo advisors operate – at the intersection of wealth management, financial planning and tax.

Tax planning done the right way should include:

- 1. A comprehensive understanding of the parallels between the client's business and personal tax position – for example, how entity choice affects a client's personal 1040.**
- 2. A wealth advisor who helps you to corral necessary information to prepare interim and year-end tax projections.**
- 3. Investment choices that can supplement and be additive to your well-crafted tax recommendations and structuring.**

ZEROING IN ON PLANNING OUTCOMES WITH CLIENT ADVISORY TEAM

Every client relationship can benefit from partnership and communication between all members of the client advisory team. Of course, CPAs shifting to an advisory or consultative model should look at becoming the co-captain of that team. While this can be done in a variety of ways, partnering with other like-minded professionals is perhaps the easiest and most fulfilling.

No single advisor can do everything. That's why client advisory teams thrive when professionals work together. The Choreo-CPA partnership is uniquely suited to serve as client quarterback.

When working with larger clients, how often have you:

- 1. Been part of a multidisciplinary client team including tax, wealth, legal, insurance, retirement and banking that works together in the client's best interests?**
- 2. Met with a client's other trusted advisors and talked, even if only briefly, about the client's challenges, risks and opportunities?**
- 3. Felt that the client's other advisors were truly serving the client holistically?**

Serving as your client's CHOREOgrapher can be challenging, but is also immensely rewarding. Rather than allowing client advisors to stay in their silos, CPAs and like-minded wealth managers like Choreo can ensure the client's WALTZ is seamless.

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