

"My Accountant"

Until recently, people could say "my accountant" and we would know they meant their CPA. They could say "my CPA" and we would know exactly who they were talking about; not the actual name of their accountant, but what this person was to them. Our assumptions would have been quite accurate in the past, but no longer.

CPAs have started to go the way of all flesh—towards bigger bucks and easier money. As more accountants become licensed to sell and accept commissions for selling financial products, they will be killing their natural opportunity to own—yes, "own"—a niche in the financial marketplace only they can occupy. They will be creating a void that will be filled by CPAs who advise clients for only fees.

Notwithstanding the stereotypical personality caricature attached to accountants, CPAs have long epitomized "professional" among professional advisors. Their ethic and code of conduct was strict and strictly enforced. They've long held a unique position of great trust and almost always functioned as the controlling advisor when more than one advisor worked for a client.

Accountants have built a history of tight relationships with their clients. They know their clients well because they know where the money is and how it flows. They have had no axe to grind, no tantalizers to distract them from the objectivity they have provided their clients. Accountants have been able to offer and bill clients for their objectivity, and they've had complete data and information about clients on which to base their recommendations.

Now times have changed for most accountants. They fell into the trap of being de facto agents for the tax collector. They are under huge pressure to generate new revenues because their margins have been sliced to the bone as clients utilize new computer power and software to do their own accounting and tax preparation,

which allows them to hire their own lower-level accounting personnel to work the new systems.

So there sit accountants with all this client data in their databases, wanting to use it to generate new revenue. To do this, many believe they must leverage their relationships with the objectivity their clients still believe they have. As they get licensed to sell, make disclosure and begin to sell their clients commissionable financial products, they cross over to the other side of the table and put on their selling hat. With it will come customer resistance. Clients will perceive this as a conflict of interest, and the result will be eroded client confidence in this once trusted advisor. Clients are becoming smarter every day; so why drive them to become more cynical as well?

Erosion of consumer confidence in their accountants will not show up much in good times of economic growth and prosperity. It will show clearly in the first bull market or major correction in equities markets. Accountants who have sold products to their clients will be held more accountable and suffer more anger than other advisors and salespeople, and perhaps suffer more litigation. The more a sale is based on trust in the advisor to perform competently and faithfully in the best interests of the buyer, the greater the void will be in their relationship when things go south. Although betrayal is a value judgement, the customer is always right. When s/he's on the losing end of a leveraged relationship, betrayal may be legitimate motivation for lawsuits.

Options & Opportunities

Strategies relate to long-term objectives, and there is only one iron-clad rule about them: *Never sacrifice a strategy for a short-term gain.* History's many examples show the truth of this, and all smart salespeople know that once a sale is made on the basis of what's best for the salesperson rather than the client, the relationship with the buyer is doomed. The only issue is when the client will learn the truth and take action.

Accountants will be better off doing truly fee-only planning and advising, taking no commissions or non-fee compensation. Huge opportunities await accountants as fee-based advisors.

Among these many chances, one provides accountants tremendous occasion for professional growth: providing full financial advisory services on a *fee-for-advice* basis. Accountants, traditionally working with historical data to prepare audits, reports and tax returns, have an historical perspective. KPMG now advertises with a message that says they are going to do audits and give advice that will impact the client's future. This same firm once started a fee-based insurance advisory service offering *objective* advice on life insurance through the due care process. These are precursors to accountants helping their clients plan for the future. What better source for true financial planning can there be than a fiscally conservative advisor who understands the client, money and taxes, who is paid only for financial objectivity and the ability to manage a team of other financial professionals to implement the client's plan?

What is the accountant's new value-added as accounting systems become increasingly automated and clients now use software themselves? If they opt to sell product, they will be fooling only the low end of the financial marketplace. The high end is already going for and buying objective advice. These high end buyers do not believe that the best advice and the products to implement it must be bundled together. Rather, they seek the detached objectivity of a financial professional to keep the whole planning and implementation team accountable, focused and on track.

What does a high end client's financial planning team look like? At its simplest, the team comprises a trusts and estates lawyer, an accountant and one or two product providers. Their knowledge overlaps, of course, but because they work as a team, this is an asset, not a liability. True professionals understand that *counselors do not compete*. Regardless of which professional actually leads the team for any par-

ticular client, the results of the teamwork show clearly.

One of my estate planning and life insurance salesman clients is so good at teamwork that he has developed a very successful track record getting 80 percent of the estate plan done and implemented in 20 percent of time usually eaten up in the traditional estate planning process. He participates on the planning and advisory team, finds the insurance products the team and client agree are required, and advocates for the client in the underwriting process. He is so good at this that accountants and lawyers routinely call him in on cases. This request for his participation is not on the salesperson's typical *quid pro quo* basis (You scratch my back, I'll scratch yours), but on the basis of advisors bringing in the best specialists for their clients. This enlightened advisory practice also saves the lawyer and accountant from liability exposure for product selection and performance issues.

Another cool thing is that this way of doing the business of insurance and investments proves something I've felt for many years: There is no shame in selling; only in selling less than professionally. With too little product knowledge and an increasingly diluted relationship with clients, accountants who becomes sellers of the products they recommend will be tunneling in their own tactical myopia, violating the one rule of strategies, *never sacrifice a long-term strategy for a short-term gain*. In this case, the long-term strategy is to have clients—a clientele of long-standing based on a solid professional-client relationship—not customers who merely purchased products from the advisor based on the advice the advisor offered which lead to the purchase.

Get On Board

Insurance brokers can take advantage of this shift by many accountants to selling products they recommend. Here are a few suggestions.

- **Be proud of the fact that you sell life insurance.** The insurance brokers who've embraced the easier sale of investments and call themselves financial planners will find it tough coming back to life insurance when the markets correct and cause their income streams to dry up and their prospecting sources having to shift back to insurance. As financial planners, brokers must compete in a growing swell of competition, such as the accountants (and lawyers) who now sell product and accept commissions. Differentiation in the marketplace becomes increasingly problematic when you swim with (and look like) all the other fishes—even when you are among the predator fishes.
- **Understand that "Hardly anyone sells life insurance anymore" is a comparative statistic** and not a reality for insurance professionals. That fewer insurance salespeople can survive and jump ship to sell investments makes an opportunity for the truly qualified to excel. It doesn't matter much what others do; only what you do in your marketplace.
- **Present yourself to accountants and lawyers as a product specialist who can do things they cannot and should not,** and for which they also do not need their own errors and omissions coverage. Non-insurance and non-product-vending professional advisors know that a plan without implementation is fruitless, and that products go far to implement sound plans and strategies. They want to secure for their clients the best products from the most qualified providers. Brokers (not agents) fill this need.
- **Accept that as a team member, you will have mutual accountability.** This means that each team member is subject to the same checks and balances as the others, also that the client will be the first and foremost focus of the financial advisory team.
- **Make sure you know what being a team player is, and learn how to demonstrate this** to the satisfaction of fee-only accountants and other fee-only professionals. If you cannot put your ego aside and accept that the only winner on a client's team should be

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the client, then you will suffer trying to do this. If you cannot learn the better way, stick to traditional selling.

- **Learn the due care process and how to present it** as one of your professional services. If you are used to being a salesman and need to demonstrate how you augment the team and why your product recommendations are reliable, using the due care process differentiates you from the others who also sell product for commissions.
- **Understand the nature of the products you sell.** Can you easily explain how with variable life the actual result of 20 years experience averaging 5% average annual increase can be substantially lower than the values illustrated for a 20 year, 5% average annual increase at the time of the sale?
- **Develop the knack for teaching accountants what will make them smarter about product** (but never as smart as you). When you can show the accountant the issues of variable life and how to explain the nature of the risk to the buyer, the accountant can help make the client aware and reach a better informed decision, as well as help you document the disclosure you make to the client.

I believe that accountants beginning to take commissions heralds a new age in financial services. It will make many other accountants work hard to preserve their truly professional objectivity and the special relationship they hold with their clients. To align yourself with the fee-only accountants who need your product expertise and underwriting skills—on a professional to professional basis—creates tremendous opportunity for brokers as product specialists.

Chairman Mao Tse-Tung once launched a program with, "Let one hundred flowers blossom. Let one hundred schools of thought contend." Convergence in financial services seems to be following about the same philosophy. While the chaos fuels the shakeout and Congress continues to drag its feet on reform, why not specialize in what you already know. Offer your expert counsel and advice to the non-

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insurance professionals who need you. Special-ize in what you know so well, and smile...all the way to the bank.