



How to start an accounting advisory business (in an economic downturn)

WHITE PAPER



THOMSON REUTERS®

“We needed to get away from going from fire to fire or deadline to deadline. Practice Forward is the epitome of orchestration. Instead of having a big push during tax season, that emphasis has been done throughout the year. Practice Forward has given us more opportunities through better communication and has improved our relationships with our clients because now we’re talking with them on a regular basis – intentionally, as opposed to when it’s necessary. I see advisory service as the wave of the future.”

Robert East, CPA
Partner
East Folsom LLC

In times of economic uncertainty, clients crave certainty wherever it can be found – and clarity in the absence of certainty. This is the time for your value to be re-established: not simply as the one who can do the rearview tasks that are required, but as the one who can help look forward to making the right decisions for the future of that business.

Even before the COVID-19 pandemic, many accountants began shifting their focus from compliance services to advisory service offerings. Others, however, may continue to disregard the increasingly common white papers, conversations, and webinars on how to offer accounting advisory services because you think you’re already providing advisory services, which may, in fact, be true. But are you truly putting advisory guidance at the core of your client relationships? Are your advisory service offerings scalable? Are they renewable? Do your clients understand the value your advisory services offer? Are you cultivating a culture of advisory guidance within your team to grow and enhance client relationships for the long haul?

Whether you want to [start an accounting advisory practice](#), or fine-tune your current advisory offering, this is the definitive guide to help you make the shift into an advisory-centric approach to become the true trusted advisor your clients are seeking more than ever before. These guidelines will help you launch your advisory practice whether you’re working from home or from a brick-and-mortar office. You will learn:

1. **What accounting advisory is.**
2. **The difference between consulting and an advisory service offering.**
3. **Why you should offer accounting advisory services.**
4. **How to tell if your CPA advisory work is at the core of your client relationships.**
5. **How to start your advisory service practice.**
6. **How to price your accounting advisory services.**
7. **How to approach new clients with your advisory offering.**
8. **How to transition existing clients into advisory-centric engagements.**

Let’s start with the basics.



What is an accounting advisory practice offering?

Accounting advisory services involve providing insights and strategies that help your clients drive better business decisions, adjust their behaviors, and focus on the future to successfully achieve their goals. These strategic advisory services are built into client engagements from the start, rather than being added on mid-stream. By examining trends in a client’s business and forecasting future opportunities, you provide agile coaching to your clients, guiding them through complex business issues, navigating risks, and helping them execute their visions for the future. Your expertise and knowledge are baked into every client engagement, assuring a mutually beneficial experience for your firm and your clients as well as long-term growth and revenue opportunities.



What’s the difference between consulting and accounting advisory services?

Defining advisory services for accounting clients can be challenging for a lot of CPA firms. The term “advisory” is used quite a bit these days, so how do you differentiate it from “consulting?” This is where many accountants get stuck. You may do a lot of consulting for your clients now, and you see that as an advisory offering, but consulting on its own does not necessarily align with a structured accounting advisory practice.

Consulting is when a client comes to you for help with a specific problem, and someone in the firm fixes it. It is typically a one-off engagement or an add-on service, which might earn you a value-added fee. Consulting is traditionally short-term, unstructured, and billed as a value offering in addition to the client's existing engagement. However, you might offer consulting or advice for free and be tempted to call it advisory. It is a common complaint among tax and accounting professionals that they answer clients' ad hoc questions throughout an engagement or over the course of the client relationship but aren't compensated for sharing their knowledge in this capacity. While some consulting arrangements may truly be advisory, more often than not, the consulting service is just about providing a suggested answer – without any facilitation to help see that suggested answer come to fruition. For example, entity structure decisions are traditionally handled through a consulting engagement but could be elevated to be done in an advisory manner.

Accounting advisory services are about creating an ongoing, multi-year client relationship through agreed upon deliverables and consistent, no-surprise monthly fees. You might assume that each of your clients comes to you with a long-term relationship in mind, but that's not always the case. They may simply want a consumer-provider relationship to handle their immediate need (usually, tax preparation) and will re-evaluate next year when that need resurfaces. Successful advisory service practices are about building client relationships with a progressive plan over time, developing trust, and moving forward together. Your clients understand and agree that you're developing an enduring relationship; that you're in this together for the long haul.



Why should you offer advisory services?

You should consider providing strategic advisory services because this is how you offer true long-term value to your clients as an invested party helping them achieve their goals. You have the ability to see your client's holistic financial situation and provide guidance in all areas, rather than in just one or two specific situations as they come up. You are a collaborative member of your client's team – you're their partner. You have the ability to take the pressure off them and handle things that they are not equipped to do. In so doing, you establish a stronger bond and position yourself and your firm as an integral part of your client's business continuity and longevity.

Clients come to you for compliance, but stay for accounting advisory services

The basis of most historical accounting relationships is often the compliance component of the services your firm provides. Clients may hire you for your compliance services, but as you look to retain and enhance those relationships and grow your firm, grounding your CPA advisory services as the foundation of every engagement will establish you as the true trusted advisor they both want and need.

The number one thing clients ask for is "more." They want more from you. They want your strategies, thought process, advice, guidance, and knowledge. However, they're not just going to ask you for it. Clients won't simply disclose their unmet needs without being prompted. In many cases, they may not even know yet what those needs are. Because of this, advisory services must be a part of your business model, built into each and every engagement. When the context of the relationship is centered around an advisory or consultative mechanism (such as the trajectory of where their business is going), then your clients' questions can be answered, and their needs (and unspoken expectations) can be met.

The most successful accounting firms find that the compliance services are actually an outgrowth of the accounting advisory work, not the other way around.

To help differentiate the distinctions between merely doing advisory work and centering your client relationships around advisory services, we've identified five key signs that your firm is advisory-centric.

"I had just opened my practice, coming from a Big Four experience of 14 years. I knew the things to do, but I didn't have a good package to do those things. Practice Forward provides that baseline. Along with that, it provides a great pricing model so that we're able to price things consistently and in a manner that we're getting compensated for our knowledge and our service."

Dan Crick, CPA
Partner
Daniel Crick CPA PLLC



Five signs that your firm centers client relationships around CPA advisory work

You may already be doing advisory work. There's a difference between being an advisor to a client and centering your relationships on advisory services. Here is a checklist you can use to validate whether your firm centers client relationships around advisory work, or if you're just giving your advisory guidance away. If you can check all of these boxes, then your advisory services are at the core of your client relationships. Good job! If not, keep reading for some tips and strategies to either start or fine-tune your advisory services offering.

- The full scope of the engagement is known from the start, including ongoing advisory consulting**
- The fee for your services is based on value, not time, and is billed on a recurring, consistent schedule**
- All of your client engagements are designed for your firm's – and your clients' – future benefit and enduring success**
- Every client conversation is focused on future outcomes**
- The services you provide facilitate and support client action and guide their behavior**

Let's explore each of these objectives in more detail.

1) The full scope of the engagement is known from the start

Setting up scope with a client involves clearly defining the boundaries of what is included in the relationship, going beyond the engagement itself. Clients may come to your firm for help with tax compliance. When they ask you to work on a tax return, where does that service start and stop? Does it include an infinite number of phone calls? Does it include a multitude of emails? Does it include chasing down documentation for weeks at a time? Does it include data entry at the staff level as well as counseling and strategizing at the partner level? A lack of clarity on scope impacts profitability and workload. Make sure you also communicate with your staff so that they are aware of the boundaries set with clients.

Defining the scope up front clarifies the process, reducing friction about the bill and what it covers, reduces the risk of giving away work for free, and eliminates surprises, which strengthens your client relationships over time.

2) The fee for your services is based on value, not time

Changing your business model to an advisory model means changing your pricing and billing methodology. Hourly billing implies that you are providing a commodity. You need to present your fees in terms of value, not time. Your fees should reflect the value the client will receive as a benefit of their relationship with you. Your clients are not actually paying for a tax return to be completed. They are paying for the relationship that comes with the tax return – and the advisory services they'll receive as part of that relationship. Understanding the shift from selling a compliance transaction to selling value is critical to establishing a multi-year relationship with your clients. Value pricing is also a more accurate indicator of the true value you and your firm provide. You'll become more profitable, and your clients will understand that you are not just billing for your time, but for your expertise and your value. We'll cover more about how to price your advisory services below.

3) Your client engagements are designed for your firm's – and your clients' – future benefit

Consider your client's needs beyond tax returns. When shifting to become an advisory-centric firm, advise on the future, not the past. Accounting firms traditionally have had a profit model based on historical transactions. Changing the dynamic of the relationship, or offering more value to clients, creates opportunity for future benefit.

“Practice Forward is the greatest thing we've ever done for the firm. It was the catalyst to force me to run my business as a business owner, not as a CPA doing tax returns and advising clients. It was life-changing for our firm and for me.”

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

“Practice Forward has been a success story for us in driving in new revenue. We have focused in on the advisory work rather than just the compliance work. The compliance work is always there. Practice Forward has allowed us to serve our clients differently 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



Offering something new to the client, regardless of whether that client adopts the service, advances your firm towards future success. No client relationship is stagnant. It can constantly evolve if your firm invests in the intellectual capital needed to continuously move that relationship forward. You’ll constantly be aware of your clients’ next business lifecycle and be able to align which advisory services they need accordingly. Your clients will recognize that you are preparing them to be successful in the next stages, not simply surviving the stage they are in right now. Even in a time of economic downturn, what will be their next step in recovery? How do you help them get prepared for that stage in their business? Whether it is a focus on capitalization, inventory investment, or COGS evaluation and reduction, your advisory services now should be in preparation for your clients to succeed in the next stage.

4) Every client conversation is focused on future outcomes

Successful advisory firms talk with their clients not only on future benefit but also about future outcomes. Changing the conversation to future outcomes allows you to move past the compliance-only service into the advisory realm. Where do your clients want their businesses to take them, and what outcomes are they chasing? Drive the conversation about what is new, what is possible, and what outcomes could come from those possibilities. If you struggle with getting started here, start simple. Ask them what their succession plan is for the business. Ask them what keeps them up at night. Ask them what they don’t want to regret later. By building and providing sources within your firm to have these future-oriented conversations, you present your accounting advisory service as both innovative and critical for your clients’ success.

5) The services you provide facilitate and support client action and guide their behavior

In order to measure your success as an advisor for your clients, you must determine if you are supporting and facilitating behavioral changes. Are you providing your clients the tools they need to execute well and coaching them to leverage those tools properly? You see, this is the key to real value. Ideas are everywhere – but can your firm provide tools to help shape or change the behavior today in order to achieve the goals they have for tomorrow? This isn’t about complexity – this is about simple tools to help reinforce what you are coaching them to do, in a way that is clearly connected to the outcome. If the tool is not simple, doesn’t echo your coaching, and isn’t clearly connected, then your client is less likely to be successful in this change.

Clients will value your knowledge if you invest the time to train them to think the way you think. Also, having firm-wide best practices on how to handle services, oppositions, and client questions allows you to be consistent and knowledgeable with your clients at all service levels.

How do you start offering accounting advisory services?

Transitioning your tax and accounting practice to an advisory business model involves offering a wider variety of services than you do currently. That can be accomplished in several ways, from expanding your current service offerings to hyper-specialization (and everything in-between). But whatever you do, it’s OK to start slow. In fact, make sure you do. Make the change by building incrementally from your core services.

The first step is to identify your current areas of expertise and core competencies. What you do well? What are you passionate about? What expertise do you have that your clients may not know about? Identify what types of clients, industries, and organizations you serve and which ones you serve particularly well. Part of this exercise also includes assessing the skill sets of your staff members. Consider how to retain and nurture them in order to grow your business overall.

Then, identify what gaps in service your top tier clients have. A pattern might emerge if you have a significant number of clients in a particular industry or demographic. What are the most frequently requested referrals you’re asked for? What services have clients requested that you didn’t offer at the time? Which consulting engagements are you called on most often to handle? These might be clues to the first set of advisory service offerings you want to build and provide.

Take the time to audit your existing services and redefine your offerings by distinguishing between advisory and compliance services – and figuring out how to monetize the value of that difference.

Making the advisory transformation: What's your approach?

One approach to the advisory transformation process is to logically extend the range of services you provide. Take a matrixed approach that considers who your clients currently are and the nature of the services you currently provide. For example, if you offer estate tax planning services, maybe it makes sense to expand to related areas, such as elder care. Or, if you have successful relationships with attorneys and financial advisors, consider expanding into legal practice management or wealth management.

Another approach is more focused specialization, thereby assuming an advisory and management role, similar to that of a general contractor. This is beyond just providing referrals, which you probably already do. It means being the central point of contact and the filter and coordinator for information. No matter careful you are about the referrals you make, it is possible that your clients could receive conflicting information from them. It also means, like a general contractor, assuming responsibility. This approach is less likely to increase your revenue, but it is very likely to increase client loyalty.

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

Technology will play a much bigger role as you change your business model. There are a lot of vendors with software, platforms, tools, and other resources to help you make the shift. Many are offered piecemeal. Consider a strategic vendor relationship that will help you manage workflow and customer relationship management with integrated solutions in addition to providing the guidance and support you need through your advisory transition. Even a strong, progressive firm must overcome the obstacles inherent in changing your business model, and you'll need to leverage technology to strengthen your internal systems, simplify operations, and improve practice management.

Preparing for and making the transition to an advisory business shouldn't be, and doesn't have to be, done on your own. A trusted partner who can provide the support you need to adapt, grow your business, and help your clients succeed in this rapidly changing profession is an investment in your firm's future. Utilizing assistance from experts can help you launch your advisory services, starting with how to define and differentiate your advisory services, how to package and price them, how to get your clients on maintenance agreements, and how to market and position your advisory services to both prospects and existing clients.

Keep in mind that there is no such thing as an off-the-shelf, one-size-fits-all solution that works for everyone. Your firm is unique, and your client relationships are exclusive to you. Look for a comprehensive, integrated, consultative solution and service that is custom designed specifically for you; one that is designed specifically to build, grow, and enhance your specific practice.

What should I charge for CPA advisory and consulting services?

If you are still doing hourly billing for services rendered, you may want to consider making the switch to value pricing. One of the benefits of accounting advisory services is the consistency in the maintenance plan billing. But change is hard, and you'll need to educate your clients about why you're transitioning to a new way of pricing your services, which services you will provide, how the process will work, and exactly what value you are going to offer them over the course of the year. Value is abstract – there is no price sheet for it. However, the more time your CPA firm spends on advisory work, the more efficient and profitable you become. Price is a value proposition based on the difference it can make for the business owners.

“Practice Forward changed the whole mentality of the firm. We changed from being an \$800,000 firm to a \$2,000,000 firm [in four years]. If you use the system and you use the product suite, you can make it happen. Our staff 100% bought into the system and the idea of how to be more progressive. It will change your life.”

Carlos Guaman, EA
Owner
El Triunfo Corporation



“The most significant change that Practice Forward offered was just the way I think about my practice. How I approach new client meetings. How I approach the pricing. Really thinking outside of the box and delivering more value and realizing what the value is. It’s really forced me to sit down and decide, what’s the solution for this client? What does that mean in dollars and cents? And what is a good ROI to price this at? I’ve kind of approached every new meeting that way. Practice Forward allows you to not just stay relevant, but to grow the firm as big as you want it to.”

John Sanchez, CPA
Partner
John A. Sanchez
& Company



Value pricing and fixed pricing have become increasingly popular and are starting to become a normal way of doing business for many firms. Value pricing can have a significant impact on your client relationships – you may even find them more committed and loyal to your firm as they align with you on the value they receive. That commitment is a true indicator of how successful your advisory services – and your client relationships – will be. Clients who commit to value pricing maintenance agreements are committing to you, to your firm, and to your value.

As you wonder what to charge for your advisory services, understand that there is no definitive price list. Certainly, there are pricing variations based on geography. Start by identifying which of these three value categories your advisory services fall into:

1. **Direct benefit to the bottom line**
2. **Indirect benefit to the bottom line**
3. **Preventive/protective value**

For advisory services that you know will directly impact your client’s bottom line if your client follows through with the strategy you’ve laid out, you can charge a higher fee, typically as a percentage of the value. Facilitating an entity change for tax savings is an example of this kind of service.

Advisory services that provide an indirect benefit to your client’s bottom line are the next tier down when it comes to pricing. The indirect benefit comes from the additional action your client must take without you in order to succeed, and because of that variable, the percentage of value you can charge is reduced. For example, a COGS analysis and reduction plan will provide your client an indirect benefit to their bottom line. You provide the analysis, direction, and sources for action, but ultimately your client must take the action on his or her own, after the engagement is over, so you wouldn’t charge as much for that service.

The final value category holds the advisory services that are preventive or protective in nature. These kinds of services have the lowest percentage of value because they are defensive, not proactive. For example, you could set up a system for proper sales tracking to ensure sales tax reports are correct and therefore protect your client from sales tax audit issues, but there is no direct benefit to your client’s bottom line (only protection from potential future risk).

When thinking about pricing your advisory services, it is equally important to consider your firm’s ideal client. You cannot serve everybody. Thus, you want to ensure that the group of clients you choose to serve are the future of your firm. If your firm decides to begin a relationship with a client that compromises your minimum cost of service, you must decide if keeping that client is going to be worth the sacrifice in the future. Your firm cannot pick relationships based simply on who will pay you. Instead, you should choose relationships based on the type of clientele that fits best with your firm and your firm’s goals.

How to approach new clients with advisory services

When talking with practitioners about transitioning to an advisory-centric model from a compliance-centric one, we often hear that new clients are excited about advisory services. This isn’t surprising – as previously noted, clients want “more.” How do you take advantage of this enthusiasm? When a potential client walks in your door, the first thing you need to do is make sure that you have your advisory service offerings clearly defined and priced properly. Ideally, you want clients who are looking for more than just someone to get their taxes done – you want clients who are interested in what you know and what you can teach them. You want to talk about planning and concepts, future outcomes, and strategies for success, not just tax returns. You want to develop that long-term relationship based on mutual benefit, not just another one-and-done tax compliance engagement.

“Practice Forward has helped us shift knowledge from partners to staff. Now I get to do the things that I want to do – help my small business clients be better business owners, be more successful. My staff take care of the day-to-day things. I think that alone makes Practice Forward invaluable to sole proprietors and small firms.”

Kalena Bruce, CPA
Managing Partner
Integrity Tax and
Accounting



Setting expectations for advisory services

The first prospect meeting, even before your firm begins onboarding new clients, is the perfect time to set expectations on process, experience, relationship, and scope. Teach the client why your service will be a different experience than they’ve experienced in the past with prior providers. Clients aren’t just buying a transaction from your firm – they’re buying the relationship (in the form of advisory services), which will give them much more.

Be clear from the relationship entry point what type of service you are offering. With an advisory-centric business model, you should be focusing most of your new business on the advisory services that will earn you long-term loyalty and revenue. Present your expertise, knowledge, and accessibility in a value package to differentiate your services and begin nurturing that client relationship. The deliverable you’re offering isn’t the tax return: it’s the relationship. It’s the value of advisory services. It’s your experience. It’s your partnership.

Overcoming new client objections

But what if you meet a prospective client that you believe could be a good fit for your firm, yet they balk at the concept of paying for value they don’t yet understand? Perhaps they’re only comparing prices between providers. If they don’t recognize the value of advisory services, it may take a different approach to educate them on the benefits. Don’t give up too quickly. There are ways to work through any challenges or objections. When a prospective client has reached out to you and expressed interest, or your research indicates that they could benefit from what you’re offering, you’re already ahead of the game. You may just need to present your advisory offerings in a new way that speaks directly to their concerns or questions. Don’t assume that they’re hesitating just because of price. Find out what the true reluctance is about and speak candidly about how your service addresses that issue.

How to transition existing clients into advisory-centric engagements

But what about existing clients who already have established fees and fee schedules? When you’ve been working a certain way with your existing clients, it can be more of a challenge to add services or alter the processes. Changing the scope of services, even if your clients have become accustomed to working with you a specific way for a long time, is possible.

Re-establishing expectations and defining the new scope

In order to change the mindset of an existing client, you must engage the client in new ways. You need to redefine the scope for your existing clients based on your updated, advisory-based business model. Position your advisory services as an essential step forward to help them better understand the value and shift in expectations.

If your goal is to take on an advisory role with existing clients (and it should be), you can evolve the client relationship from a continuous growth mentality. Talk to them about their goals, their dreams, their obstacles. Explain how you can help them achieve success and navigate challenges progressively as their advisor. Help your clients understand that this isn’t just another service that you’re trying to sell them, but an investment in their future transformation.

Whether you’ve given them advisory work for free or have charged a little bit for advisory services here and there, you can evolve existing client relationships without rocking the boat. This usually starts with the billing end of the relationship. This doesn’t necessarily mean price; the first thing to do is separate “price” and “fee” from the billing process. Your clients will likely respond favorably to a consistent, monthly bill, giving them the opportunity to better forecast cash flow, even if that bill is a little higher than what they were paying before. If they understand what they get for that extra buck, they may relish the idea of having you as their advisor and partner and discovering how that relationship improves their business position.

“As we’ve implemented Practice Forward, I think the biggest thing that it has done is help codify a strategy within the firm that everybody knows what we’re trying to accomplish, that there’s a cohesive goal that we’re all working towards.”

Brent Forbush, CPA
Partner
Forbush & Associates



But there may be some clients who resist the new pricing structure and don’t want to give advisory services a try. Don’t be tempted to reduce your pricing. You established your advisory fees based on your value – that hasn’t changed just because a client wants to negotiate. Undercutting the value of your advisory services sets the wrong tone for the relationship, and they may feel like everything you do is negotiable.

Using client intelligence to innovate product and advisory service development

Gaining an understanding of what your current clients need and leveraging that knowledge to innovate the next service offering in your advisory wheelhouse involves shifting from an operational mindset to a sales and marketing mindset.

Clients’ needs or pain points are a sales opportunity. Once you define your scope of what is included in the client relationship, you can capitalize on new out-of-scope questions and requests and develop a new advisory service offering to expand your portfolio. Be proactive by using existing client data to identify new opportunities. When reviewing a client’s tax return, you may find that they would benefit from some advisory services that you already offer. When you meet to go over the return, you can discuss and demonstrate how those additional services would work and how it would impact their trajectory. Leveraging the data on hand is a simple start to an advisory conversation.

Are you ready to start an accounting advisory business?

Traditionally, you’ve made a living from compliance work and consumer transactions. But establishing enduring and meaningful client connections is how you ultimately generate more of those transactions, building a sustainable, profitable business. Stronger client relationships generate more interesting and challenging work, increase revenues, improve retention, and bring in more high-quality referrals. Therefore, an advisory-centric business model is the key to multi-generational growth and your firm’s success.

Practice Forward

Grow your bottom line with advisory services. Let us guide you through developing a progressive business model for your firm. With Practice Forward content, tools, and guidance, forward-thinking firms can expand into advisory services, improve margins, drive growth, and elevate client service. Learn more: tax.thomsonreuters.com/practice-forward

CONTACT US TODAY

+1 800 968 8900

tax.thomsonreuters.com/practice-forward



THOMSON REUTERS®