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Letting the right ones in

Planners use an array of strategies to grow their client base

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Some of the more established financial planning firms have successfully transitioned existing tax and audit clients to their investment units, while others are deploying aggressive strategies to recruit new candidates for their financial services offerings.

"It's all about trust, and over time you have to explain to clients how your financial planning strategy fits into their strategy," said Gene Garrelts, president of Omaha, Neb.-based Orizon Group, a multi-disciplinary firm that manages some $280 million in assets under its Orizon Investment Counsel subsidiary. "Not all of the clients of our CPA firm move over to wealth management. But we keep soft-selling them on our services. We invite them to firm events and let our wealth management team explain to them about where the economy and the markets are. Some say, 'Yeah, I'll take a listen.' Maybe then it starts resonating with them. Sometimes, we have clients come in for guidance on trustee issues and we ask them would they want to meet with the wealth management team to hear about how we manage money?"

Garrelts revealed that in the first several years after forming the wealth arm, roughly 50 percent of the CPA clients migrated over, but now it has evolved to a point where it has developed its own client base.

CLIENT TRANSITION

At JDH Wealth Management, managing partner Tim Delaney and several partners at Linkenheimer LLP CPAs formed the Santa Rosa, Calif.-based registered investment advisor roughly 10 years ago after witnessing what he termed a "difference in philosophy" between his clients and their brokers. "We had clients that were stockbrokers and tax clients who had used our broker clients and I was puzzled that what the brokers were recommending to the clients they were not buying themselves."

Delaney said that the first clients waded over from the CPA firm, and he initially explained that what he was doing was not for everyone. At the outset, JDH required a minimum of $500,000 in investible assets, a mandate that has since risen to $1 million.

"When we meet with prospective clients, our 'close' rate is close to 80 percent," he said. "As new clients come into the CPA firm, hopefully we will have a chance to talk to them. We can look at their financial profile and give them a second opinion at no charge. We give them feedback and see if they're a good fit. We do quarterly meetings with clients and we've very proactive in asking for referrals. ... As a rule of thumb, if a CPA firm has $1 million in billings, the potential AUM is about 25 times that. That's low-hanging fruit."

David Borden, principal at CCR Wealth Management LLC, a three-year-old spin-off of Westborough, Mass.-based CPA firm CCR, cautioned that not every tax and audit client is necessarily a fit for financial planning services, nor is every client unhappy with their current financial planner. "Sometimes, the accountants will have to defer questions to us," he explained. "But we don't want the CPA partners to sell anything. We want them to simply say, 'This is a resource for you and we want them to talk to you."

CCR Wealth Management, which oversees roughly $600 million in assets, engages a team of nine, which includes three partners and also handles third-party administration, an in-demand service for its business-owner clientele, such as doctors and dentists.

"We can truly handle everything. For example, for a doctor that owns his own practice, we do both the financial and corporate retirement plans. We only work through pre-qualified referrals and we feel that gives us controlled growth. Our job is not necessarily to build the wealth but to maintain it," Borden said.

WRONG SIGNALS

While migrating tax, audit and consulting clients toward financial services remains a key avenue to grow the book of business, some potential clients can give off warning signs that give planners cause for concern.

"We have what we call a discovery meeting, and at that time we find what makes them tick," said David Bush, managing director at Witt Mares Financial Vision in Williamsburg, Va., a wholly owned RIA subsidiary of CPA firm Witt Mares. "If we come across what I call the engineer-type, people who overanalyze or have a history of switching investment people while looking for the next greatest thing, I just tell them that I don't think we can add any value. Thankfully, I've only had to do that a couple of times. But we really don't want to take everyone."

"[Financial planning is] a natural extension of what we already do," said Bush, whose firm manages some $125 million in assets. "We let the clients or potential clients know what we can do and ask them, 'How can we help you plan for your future?' Many [tax and consulting clients] prefer to stay with one firm and let us handle the financial planning as well."

Like other financial planning units, WMFV gives a second opinion of a client's current investments. "We may meet with someone eight to 10 times before they become a client. A lot of times we're psychologists - we need to protect them from themselves."

Joseph Fazio, managing director at FMRTD Financial Resources LLC, a 12-year-old subsidiary of New Jersey-based Fazio, Mannuzza, Roche, Tankel, LaPilusa with $120 million in assets under management, views wealth planning as another ancillary service that the clients can use.

"We started out slowly," he recalled. "We took a look at the client base of the CPA firm and saw that a good number of them had accumulated significant wealth. We explained that we're not market traders. We take less risk than the S&P. If we put a plan in place, it's there for the long term. So we would do a financial profile for them, assessing their needs and looking at risk assessment and pointing out where their shortfalls were. We offered that service for free and told them if they want to use us as a planner, that's great, If they didn't, they could use our plan for another advisor."