GROWING YOUR FIRM IN A CHANGING WORLD
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The world is changing rapidly. From new regulation to automation, accountants — and their clients — face an onslaught of challenges. The good news is these same changes have created new opportunities for accountants to grow their business, by shifting from compliance work to a greater focus on advisory services. New technology solutions make this shift possible.

This white paper will explore the macro and micro challenges accountants face today. You’ll learn about changes accountants like you can make, including the use of new software that can lead to increased revenues and a sharpening of your firm’s value proposition.

THE VOLUME OF CHANGE

The onslaught of changes that accountants face isn’t just qualitative in nature — it’s quantitative, too. The sheer volume of regulations is creating new workload burdens. The volume also has a ripple effect, in terms of the need for additional staff training and the ongoing obligation to keep clients informed about changes.

Three data points loom large, reflecting the scope of changes:

The recently passed tax reform bill. “This bill represents significant changes to the income tax system at large,” says Jordan Kleinsmith, senior product manager of tax and innovation with the professional segment of the Tax & Accounting business at Thomson Reuters. Each firm has to inform clients about the changes, including setting expectations about projected refunds and balances due. Moreover, as Kleinsmith points out, the bill represents a significant year-over-year change, and hence poses particular problems for the “SALY” (same-as-last-year) mindset characteristic of the tax industry.

150 changes to the federal tax law in 2015 alone. To project the impact of the 2017 tax reform bill on their practices, firms can look back at 2015, in which there were over 150 individual changes to the tax law. “A firm could think back to the added workload resulting from relatively minor legislative changes in 2015 — and this new law represents a more extensive overhaul,” Kleinsmith says.

We aren’t just talking about federal regulations. Firms have to work at the state and local level as well. For instance, Kleinsmith notes that in an effort to combat fraudulent filing, some states now require taxpayers to provide driver’s licenses. This is a new piece of information that firms will need from clients. Kleinsmith says, “Here again, the SALY mindset is not helpful. This is an additional step for the tax clients and is a big workload item.”

Moreover, there can be state-level retroactive adjustments to bring state laws back in alignment, due to a lack of harmonization with federal laws. Retroactive adjustments can cause firms to scramble to identify who is impacted.

These data points all have one thing in common — accountants aren’t in control of the changes. Regulators make decisions and accountants have to adapt. But there are some things that firms can control: the efficiency of their workflow, as well as their level of preparation to handle regulatory changes. Here, software can provide the tools that empower firms to adapt and even thrive.

IMPACT ON FIRMS — AND CLIENTS

The lack of readiness for compliance changes is at the heart of what jeopardizes firms’ abilities to live up to clients needs. “[Firms] can’t do proactive outreach in the off-season because there is no off-season — they are caught up in getting compliance work and returns done,” Kleinsmith says. As a result, firms can lose sight of client needs.

This, in turn, has impact on client retention. Most tax professionals believe that the reason clients leave is due to fees. The reality, according to a new survey by The Sleeter Group, showed that 72 percent of small business owners have changed their CPA or accounting firms because the firm “did not give proactive advice, only reactive service.” More than 60 percent said this factor played a significant or large role.

Kleinsmith offers a personal example. “I had a co-worker who had her return prepared by her professional, who missed a big opportunity for a deduction related to education.” The accountant didn’t bring up the possibility and it was the client who spotted it. He says, “The natural question then is why am I paying the accountant? What value are they adding?”

Clients also now expect accountants to not merely be reactive historians, telling them what happened last year, but to become proactive strategists. “Clients expect accountants not to just be at their beck and call, but also to identify opportunities that could result from changing their behavior, optimizing the year ahead,” Kleinsmith says.

Finally, many clients are turning to DIY systems. The result is that there are fewer opportunities for firms to offer only tax return work. Instead, business clients are looking for their CPA to play more of an advisory role. However, as Kleinsmith notes, traditionally firms haven’t been good at monetizing their advice. The good news is, “there are more and more opportunities to identify these sorts of clients, advise them, and then monetize this advice,” he says.

SOLUTIONS:

The solution to these macro and micro challenges is found in technology, offered by powerful software tools such as data mining, which is the analysis of large data sets to uncover deep patterns and establish predictive analytics as well. Again, the challenge is not simply struggling to keep up with changes or losing clients — it’s about getting more revenue. Success requires a strategic shift to take firms like yours to the next level while also restating the firm’s core value proposition.

“Data mining is a big part of this and serves the role of identifying which clients would stand to benefit the most from your advice,” Kleinsmith says. “Data mining tools can be used to illustrate to clients what they stand to gain.”

For instance, data mining can instantly identify clients who are impacted by retroactive tax changes. Or it can create new opportunities in traditional practices such as retirement planning services. Data mining can find clients who aren’t saving enough for retirement and can show where there are tax advantages for them to put money into a retirement account by year-end.

“Data mining can also help in situations where a client has to take action or face tax consequences,” Kleinsmith says. This includes reminders for estimated tax payments and required minimum distributions (RMDs) as well.

Sophisticated tax compliance systems like Thomson Reuters UltraTax CS® offer truly integrated solutions that adapt to financial planning needs, as well as complex new regulatory and compliance requirements.

Not only can UltraTax CS identify clients impacted by regulatory changes, but it also offers strategic solutions. By using the data mining functionality within UltraTax CS, accounting firms can identify a better organizational structure from a tax perspective for their clients, such as finding sole proprietors who might benefit from moving to a partnership or incorporating. Additionally, software like Thomson Reuters Planner CS, a complementary product of UltraTax CS, can offer scenario planning, showing the savings from different tax moves.

“The broader point is the software enables the shift of the tax provider to that of more of a proactive, strategic and advisory role,” says Kleinsmith. The software frees up tax preparers’ time to focus on what is truly valuable to clients. With the right software, tax preparers can stay ahead of — and profit from — shifting regulations.

CASE STUDY: SEIZING THE OPPORTUNITY

The bottom line is that an ever-increasing workload due to regulatory changes is inevitable, challenging to the bottom line, and out of firms’ control. However, firms can control the efficiency of their workflow and administrative tasks by selecting the right technology tools. Ultimately, this leads to a healthier, more resilient bottom line. In addition, firms can create new opportunities to expand their top line through related advisory services.

Will Hill, manager in training and consulting services with the professional segment of the Tax & Accounting business of Thomson Reuters, explains more about this case study: “with regulatory changes, the value of an accountant relationship should be higher than ever. However, the positioning and communication of that value is different than before.”

Hill points out these changes require practitioners to engage their clients in a new way — a way in which the monetary value of that relationship is representative of the true services being delivered by the firm. And they must ask themselves if their own tools are set up to maximize efficiency and accuracy in light of constant regulation changes.

A case study shows how a firm seized this opportunity. An accounting firm located in a small farming town used Practice Forward, a subscription consulting and content offering from Thomson Reuters that helps firms reach their full potential. They increased their revenue by $49,500 in just four months.

The upside of using new tools is the potential for increased revenue. However, there is a downside if firms don’t adapt. Hill concludes, “if the alignment of how a firm is engaging their clients to understand value and the tools they’re using to deliver on the engagement are lagging, the firm will struggle and lag as well.”

CONCLUSION

The tax preparation industry is changing significantly. It’s time for firms like yours to reassess how prepared they actually are for the changes. Kleinsmith advises, “Don’t see these changes as a danger, see them as an opportunity — and at Thomson Reuters, we can provide the help you need to make the strategic shift.”