

Start Your Growth Engine: Rev Up Your Profits with the Right Approach to Payroll



WHITE PAPER



If you've ever thought about adding payroll services at your firm, there's never been a better time to make your move.

The need for payroll services is surging as unemployment continues to fall and the number of U.S. businesses grows. Payroll services revenue is expected to grow by 4.3% this year alone. By 2022, payroll is predicted to be an \$85.6 billion industry.¹

Getting in on an already lucrative and growing market opportunity seems like a no-brainer. But offering payroll services in-house requires up-front planning and investment: What technology will you use? What processes will you put in place? Will they be the same for all your clients, or will you need to tailor them to each client's preferences? How will payroll impact staff resources? What happens if filings are late or incorrect?

Payroll services revenue is expected to grow by 4.3% this year alone.

Fortunately, there's more than one way to add payroll services at your firm and claim your share of this growing industry. With the right approach, payroll can be both a benefit to your clients and a growth engine for your firm without excessive risk or disruption to your business.

The payroll market is solid — and growing

More and more small businesses are in the market for payroll services. Increasing government regulation and consequential exposure to federal and state government assessments have made payroll simply too complicated and time-consuming for many small businesses to process in-house.

According to the IRS, nearly 40% of small businesses pay an average of \$845 in fines for late or incorrect filings.² To these small businesses, doing their own payroll is simply not worth the time or the risk, putting them in the market for a payroll services provider who can do it all for them.



¹ April 2017 IBISWorld Industry Report 54121b, Payroll & Bookkeeping Services in the US.

² April 2017 IBISWorld Industry Report 54121b, Payroll & Bookkeeping Services in the US.

Your prospects are already your customers

Any business starting from scratch has to make a significant upfront advertising and marketing investment just to get the attention of prospective customers, to say nothing of persuading them to buy their products and services.

Getting payroll customers in the door at your firm requires a fraction of that kind of investment — because your payroll prospects are already doing business with you, and you already have their trust. Your existing client base is an ideal place to start; chances are at least one of your clients has already asked you about payroll services.

If a client is drawn to your firm through payroll, that client may be interested in other services as well. Clients see real value in getting a wider variety of services under one roof, and offering a more complete suite of services will not only attract new prospects who may not have considered your firm before, but also reinforce the relationships you already have.



Myths and Facts About Partner-Sourced Payroll

Myth: My clients can't handle working with an online payroll tool. It's too technologically complex — and they'd rather work with a human anyway.

Fact: Your clients are probably more tech-savvy than you think. Even the most technophobic among us pay at least a few bills online. While clients appreciate face-to-face support when dealing with complex issues, most are comfortable using automated payroll technology.

Myth: If I'm not working directly with my clients on everything, I'm not providing real value.

Fact: It's not the best use of your time (or your clients' money) to focus on services that can be automated and streamlined with a trusted partner. You bring more value to your clients when you provide services that make the most of your expertise.

Myth: I can't take on payroll without dedicated payroll staff.

Fact: A partner-sourced approach to payroll completely eliminates the need for payroll staff. A good payroll partner provides payroll support for you, including everything from data entry to check printing to real-time reporting to personalized service from a dedicated processor. When you work with a trusted provider, your clients are in excellent hands and your relationship with them is strengthened.

Myth: I'm probably capable of doing payroll in-house, so I should keep it in-house.

Fact: Just because you can do a task doesn't mean you should, especially if it doesn't make the best business sense and it's not something you enjoy doing. Your clients may be better served if your time with them is focused on more high-value services, such as tax planning and preparation.

40% of small businesses pay an average of \$845 in fines for late or incorrect filings.

An ounce of retention is worth a pound of acquisition

As the need for payroll services grows, more and more of your clients will ask you for payroll help. If you don't offer payroll services, your clients will go elsewhere for them. If your client turns to a competitor — a full-service accounting firm that does offer payroll — you could be at risk of losing that client's entire book of business to them, which costs your firm more than you might think.

If a client leaves, it's not just the business you're losing that impacts your bottom line. According to the AICPA, it is 11 times more expensive to acquire a new client than it is to keep an existing one.³ You need to consider the costs your firm incurs to replace the business you lose.

³ The Defining Dozen: 12 metrics CPA Firms Should Track, AICPA Insights, 2013.



Steer clear of payroll challenges that cut into your profits

Many accounting firms have considered getting in on the growing payroll services industry. The challenges that frequently arise when taking on payroll in-house, however, often make them think twice.

Challenge 1: Custom processes for each client. Keeping client payroll services completely in-house gives an accounting firm the highest degree of control over the process and can be profitable if handled correctly. However, without a thought-out strategy and process, many firms find themselves having to customize payroll services to accommodate the needs of individual clients, which is an inefficient way to operate. One client may fax you their information; another may use a client portal to transfer their data to you. Another might call at 5 p.m. on a Friday in a panic because they forgot to pay someone or accidentally paid someone who was terminated.

When you handle payroll services in such a way, your human and financial resources are depleted, which could adversely impact your client relationships. You also risk severely limiting your ability to serve your clients' other tax and accounting needs or lose the capacity to take on new clients due to lack of resources. Inconsistent processes can also lead to errors.

Challenge 2: Staying current on complex rules and regulations. The stress of keeping up with ever-changing rules and regulations is also a barrier to profitability. You and your staff simply can't afford to spend hours researching every single change to prevent incorrect filings if you hope to make payroll a profitable service at your firm.

In 2017 alone, 27 states have had minimum wage changes — and to further complicate matters, local payroll taxes are imposed by thousands of jurisdictions, encompassing millions of Americans.⁵

The time spent staying in compliance and on top of evolving law quickly erodes profitability.

It is 11 times more expensive to acquire a new client than it is to keep an existing one.⁴



⁴ The Defining Dozen: 12 metrics CPA Firms Should Track, AICPA Insights, 2013.

⁵ April 2017 IBISWorld Industry Report 54121b, Payroll & Bookkeeping Services in the US.

As much as 70-80% of cyberattacks are directed at businesses with fewer than 100 employees.

Challenge 3: Ensuring data security. Personal employee data, such as Social Security numbers and birth dates, is a hot commodity for cybercriminals. Firms that process payroll entirely in-house must ensure precautions are taken to protect sensitive, payroll-related client data from security breaches and data theft. And just because an accounting firm is small doesn't mean it's not a target.

Although cybertheft at large organizations makes headlines, as much as 70-80% of cyberattacks are directed at businesses with fewer than 100 employees. "Small companies are becoming more of a target, because criminals know large firms are devoting more resources to cybersecurity," says Eric McMillen, an information security consultant in Dallas who works with the financial services industry. "A common argument I hear is, 'I'm just a nine-person accounting firm. Why should anyone want to go after me?' Well, you probably have 1,000 or more pieces of client data that a criminal can use."

According to findings from IBM's 2014 Cyber Security Intelligence Index, 95% of all cyber breaches are due to human error. All you need is one employee clicking a malicious link or one employee downloading malware by mistake. It's difficult for everyone to be vigilant all the time.

Any breach can result in significant financial and reputational damage to your firm and your clients. Without the right cybersecurity expertise or technology, many firms choose to steer clear of payroll rather than risk a costly loss.

Challenge 4: Staffing. Payroll processing is getting harder to staff. With the introduction of millennials to the workforce and the days of schooling for specialized payroll and bookkeeping skills behind us, many accounting firms are finding it difficult to staff payroll positions and keep them filled. Those who previously filled these positions are retiring, while the incoming workforce isn't interested in learning how to do payroll — leaving firms without the staff to take on payroll.

Even firms who hire a full-time payroll specialist spend a great deal of time dealing with complex inquiries, ever-changing client demands, shifting compliance needs, technology changes, security risks, tax fraud and more.

And what if the payroll specialist leaves unexpectedly? Payroll processing doesn't stop. The firm is still on the hook, which leaves little time left to focus on your firm's growth and profitability. Hours spent figuring out why paychecks were sent late are hours that can't be used for consultative services.

The time spent staying in compliance and on top of evolving law quickly erodes profitability.

Challenge 5: Keeping up with high-tech client expectations. Many of today's business owners expect their payroll provider to have expert-level knowledge in the deployment and implementation of mobile technology and integration of various payroll-related systems. With remote workers, 24/7 operations and advanced technologies, on-the-go business owners work when they want, where they want and only when they can find time. Your clients must be able to approve employee time from anywhere. They need your payroll system to work with their remote staff, connect to integrated time clock solutions, deliver digital check stubs and access W2s via secure employee portals.

If your firm can't offer these tools, it's difficult for you to compete with large payroll service providers, which impacts your ability to retain customers and establish competitive pricing for the payroll services you offer.



Time better spent: The benefits of a partner-sourced payroll approach

“When preparing our own firm’s last payroll of 2016 during the holiday season, I asked myself some important questions:

- Why am I writing our employees’ payroll checks twice a month?
- Wouldn’t our clients be better served by me having more time for them rather than spending my time on firm administrative tasks?

So I made a list — payroll preparation at the top — of all the things that I currently do that I could delegate. I came to a stark realization:

Just because I **can** do a task doesn’t mean that **should** be doing the task.

This year, I will actually be more profitable by letting others do these administrative tasks while I do what I love to do — helping clients with their businesses and saving tax dollars.

As of January 2017, myPay Solutions now prepares our employees’ payroll checks, makes our payroll tax payments, and even files our payroll tax reports. All I do is approve my employees’ hours. It takes me about two minutes per payroll.”

Angie Poole
CPA, CGMA
Kibble & Poole, P.C.



Ensure profitability with a partner-sourced approach

Fortunately, processing payroll entirely in-house (and dealing with all the challenges that go with it) isn’t the only way to tap into the payroll market and grow your firm’s profits.

A Thomson Reuters survey found that accounting professionals are about equally divided when it comes to how they prefer to handle payroll:



38% prefer to process payroll for their clients
30% prefer their clients do their own payroll
32% prefer to partner with a service bureau, such as myPay Solutions® from Thomson Reuters

Unless your firm is a payroll powerhouse, processing payroll yourself makes little business sense. It drains your resources and takes time away from the more profitable services your firm specializes in.

What if you could get in on the benefits of offering payroll services without the hassle or liability?

Rather than processing payroll in-house or steering clear of payroll altogether, many firms are finding that partnering with a payroll processing service is a better option.

How it works

When you partner with a payroll service, the service supports the payroll needs of you and your clients from start to finish.

From providing you with marketing support to generating reports and electronic journal entries to ensuring deadlines are met and penalties avoided, a good payroll partner provides a dedicated team to deliver the payroll support you need and the services your clients want — without cutting into your time and resources.

Your clients receive personalized service from a team of professionals dedicated to their account, including initial client setup coordination and processing of payrolls, as well as customer support. They get the high-level of cloud-based payroll technology, mobility, and security they expect, delivering an optimal customer experience and reinforcing their overall satisfaction with your firm.



Firm grows with a payroll partnership

When it came to payroll, Terry Rogers, CPA and owner of Advanced Accounting, Inc., needed a partner who would take on the burden of payroll processing and payroll tax compliance so he could focus on high-value services.

“It turned out to be one of the best decisions I’ve ever made,” says Rogers. “Once I started using myPay Solutions, it allowed me to free up my staff to do other projects. It also allowed me to expand into other areas — into other states, frankly.”

Rogers explains that using the payroll service gave him the ability to provide a one-stop shop for payroll processing, direct deposit and payroll tax compliance. And in turn, it let him establish a niche service.

“Payroll was a necessary evil, and that’s what helped expand my accounting firm. But I didn’t enjoy it. So when myPay Solutions came along, it allowed me to outsource [payroll processing] and focus on areas I really enjoyed.”

Build revenue and client satisfaction

A partner-sourced approach to payroll makes it possible for you to provide a highly valued service that boosts client satisfaction without the hassle. It frees your staff to focus on client relationships and higher-margin services; you still meet your clients’ needs, but at a much higher level that doesn’t burden your firm in the process.

When CPA and attorney Chris Papin partnered with myPay Solutions from Thomson Reuters, he increased the number of tax returns he was able to do from one year to the next by 50%. Using payroll as a growth engine for his firm, he attracts more clients and frees up more time to focus on more profitable advisory services.

Ensure accuracy, timeliness and security

A payroll partner also acts as a safety net, ensuring payroll is processed accurately and on time. You’re not dependent on a staff member whose unexpected absence derails the whole operation. A trusted payroll partner will promise you accuracy and timeliness, even going so far as to pay penalties for you due to an error they make.

Ideal payroll partners will also be upfront with you about the level of data security they’re able to provide for your clients’ sensitive employee information. You should be assured of multiple layers of digital and physical security, backed by the latest best practices in data safety.

Thomson Reuters®

Thomson Reuters is the world's leading source of news and information for professional markets. Our customers rely on us to deliver the intelligence, technology and expertise they need to find trusted answers. The business has operated in more than 100 countries for more than 100 years. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges (symbol: TRI).

For more information, visit tr.com.

About myPay Solutions

myPay Solutions enables your firm to benefit from the client loyalty and consistent revenue stream that come from payroll, without actually having to process it. Once you refer a payroll client to us, we handle all processing, while you maintain control over your client relationship. You'll receive integrated journal entries and an ongoing revenue share for every client you refer to us.

For more information, visit tr.com/mypaysolutions.

Contact us today

800.968.8900

tax.tr.com/mypaysolutions

cs.sales@tr.com

The intelligence, technology
and human expertise you need
to find trusted answers.



the answer company™

THOMSON REUTERS®