

How to Use Tax Planning to Grow Your Practice

January 22, 2020

by Taylor Schulte

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

Matthew Jarvis, a Seattle-based financial advisor, knows what it takes to build a successful and profitable financial planning practice. His firm brings in seven figures in revenue annually and, crazy enough, Jarvis spent over 200 days outside the office last year.



Matthew Jarvis

With the right systems in place, you can achieve your personal goals while still building a successful practice and adding massive value to your clients.

I recently interviewed Jarvis on the Experiments in Advisor Marketing podcast to talk about tax planning and why so many financial advisors shy away from offering this type of advice.

Advisors can leverage this gap to grow their client base and provide more value to the people who trust us with their hard-earned money.

If you're curious about providing tax planning services to your clients, here are the highlights from my conversation with Matt.

Why aren't financial advisors using tax planning to grow their practices? How can offering tax planning help you stand out?

While it's hard to give a single reason why financial planners shy away from giving tax advice, it's safe to say many advisors are concerned they don't know enough about taxes to help. Interestingly enough, some advisors also receive advice from their compliance teams to stay away from tax planning – a major topic covered on the CFP® exam.

For those of us who do tax planning, however, it's a huge differentiator that can help us attract new clients and provide more value. Not only that, but personalized tax planning is something low-cost online advisory services don't offer.

I love tax planning because it's so easy to quantify the results for clients. It's easy to go to clients and tell them that, if they take on a specific strategy this year, they could save \$4,000 in income taxes. And, for whatever reason, there's a disproportionate enjoyment that comes from saving on taxes versus saving on anything else.

How can financial advisors overcome compliance hurdles when trying to tailor our businesses to offer tax planning?

When it comes to adding tax planning to your financial planning firm's services, there are several hurdles to overcome. You will likely face some important questions from your compliance department, but you will also want to avoid overstepping and getting into a gray area where you're treading into tax-preparer territory.

I overcome this by always bringing the accountant into the equation. For example, I might say, "From the looks of your situation, it seems like we should talk to your tax preparer or CPA about making a backdoor Roth IRA contribution."

This wording lets me explain helpful strategies without cutting their trusted accountant out of the equation or trying to substitute their advice for mine.

A lot of times your compliance department may be overprotective and say this type of conversation poses a problem. But it is normally fine provided you are recommending your clients validate the opportunity with their tax preparer. Trust me when I say that, if your client is audited by the IRS, you'll want their tax preparer to be in the know about the suggestions you made and why they were implemented.

You may also want to mention that your suggestions are not meant to replace advice from a tax professional. That way, all

your bases are covered.

What is the best way for financial advisors to educate themselves on tax planning issues that will affect their clients?

It's always best for financial advisors to have a clearly defined niche. I only work with retirees, for example, so there are many aspects of financial planning I never deal with.

But if you're wanting to add tax planning to your services, there are many resources to explore. Natalie Choate's giant red book, *Life and Death Planning for Retirement Benefits*, is an excellent place to start. Bob Keebler's information is also helpful. He does a lot of work with the AICPA.

The Bradford Tax Institute also offers helpful information, so those are a few good places to start.

What are some specific strategies you can use to grow your client base by marketing tax planning?

Taxes are such a pain point for high-net worth individuals that it makes sense to mention your tax-related services any time you can.

For example, if a potential client asks about your firm or what you do to help clients, you can always mention that you help people grow wealth and keep their expenses low, including their tax burden. This tends to pique consumer's interest since pretty much everyone wishes they could lower their tax bill using legal, reasonable strategies.

But make sure you're not using an elevator speech to tell potential clients what you do. Only say what you're comfortable saying – what feels natural. Also look for social cues indicating they are interested in learning more, such as a natural progression of questions and true interest in your answers.

Lastly, it's important to avoid being condescending. When I tell someone I offer tax planning and throw an idea their way, I always preface my statements with, "I'm sure you've thought of this strategy..." or "you may already be doing this."

This lets them truly consider my thoughts and shared advice without getting defensive because they think I'm poking holes in their current plan.

What are some tax recommendations that tend to make a big financial impact for clients?

When clients are very charitable, I am usually able to suggest some major moves to help them avoid overpaying the IRS. The obvious solution for us professionals is a donor-advised fund, but most investors have never heard of this giving tool or know how they work.

I also make a lot of suggestions regarding asset-location optimization – which is a fancy way of saying let's put the bonds inside the IRAs and stocks inside a brokerage account. It's surprising how many clients don't know these very simple strategies can help them save on their tax bill.

How can you use tax planning to offer massive value to existing clients?

I would probably start by communicating with clients (via email or a newsletter) the importance of reducing their tax bill. In other words, why is it so important? Taxes are usually one of their top five expenses, so any messaging on taxes will likely resonate with them.

You will also need existing clients to provide a copy of their tax returns. That is really the key to the kingdom since their tax return offers details on all the moves they're making (and not making) to save on taxes. The only way to give comprehensive advice is to know what steps they're taking already.

What are some strategies you can employ to overcome objections from clients who don't want tax advice from their financial planner?

If you ask an existing client to bring in their tax returns or you tell a new client you can help them save money on taxes, there's always a chance they'll push back. Some people may prefer to get separate advice on different types of financial issues, and others might see it as a privacy issue.

Whatever the issue, you can minimize objections by telling potential clients the truth – that it's possible you have some solutions that could help them avoid overpaying on taxes this year.

Remind them it's a CPAs job to take score, but a financial advisor can provide advice for the next round. In other words, the advice you give them *now* could help them reduce their tax load *later* when it's too late for their tax preparer to make a similar recommendation.

Do you have specific tips on how advisors can best articulate the benefits of tax planning?

I once knew a high-level engineer who kept a stack of white paper and a box of crayons on his desk. Whenever an engineer brought in an idea, he would ask them to draw it using those basic supplies. If they couldn't do it, then it was assumed their idea was way too complex.

Financial advisors need to learn how to break down their tax planning suggestions using simple terms their clients can understand. Most of the time, this is best accomplished by using real money figures. For example, if you employ this specific strategy, you'll save X amount of dollars this year and you may even save more money in years to come.

Also remember that practice makes perfect. Consider turning on a video camera and recording yourself explaining key strategies. Watch your videos over and over and look for ways you can improve. You can even take an acting class or a comedy class – whatever it takes to improve your public speaking skills.

We're working with human beings, so we need to become master communicators. The best way to get there is by practicing until you're confident your message has a chance at getting through.

Taylor Schulte is the founder of Define Financial, a San Diego-based registered investment advisor, and host of Experiments in Advisor Marketing, a podcast exploring the world of marketing in the financial planning industry. To listen to my full conversation with Matthew Jarvis and access all the resources mentioned, [click here](#).