



The Advisor's Advantage: **Tax Smart Strategies**

**Embracing a more tax-focused approach
can help you stand out to grow your
practice and retain clients.**



Avantax[®]

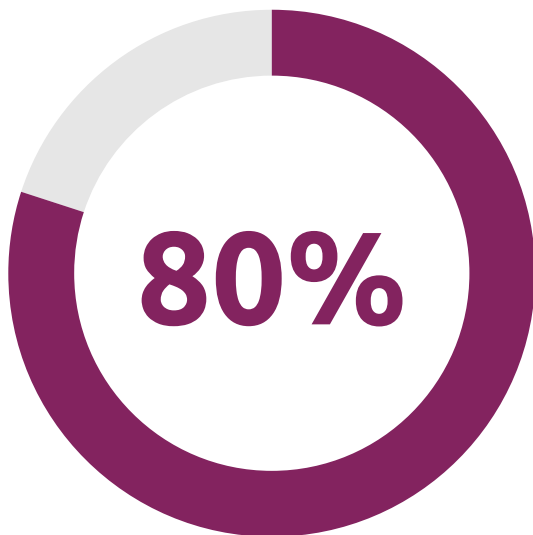
TAX-SMART STRATEGIES FOR SAVVY ADVISORS

“Every financial decision has a tax implication.”

There’s no question that advisors today are navigating an extremely challenging landscape. You’re competing more intensely for new clients, working harder to retain existing clients and looking for every opportunity to set yourself apart from your peers. After all, not only can advisory services appear similar to clients, but the pandemic has made in-person meetings difficult or impossible, making it even tougher for you to make and keep connections.

The good news is that giving taxes a starring role in your financial planning process can make your services more valuable and sought after. As Gene Bell—president and CEO of Gene Bell & Associates, a tax and financial planning firm in Bellingham, Wash.—says, “Every financial decision has a tax implication.”

According to a new survey commissioned by Avantax and conducted by Arizent and its brands Accounting Today and Financial Planning, this message is getting out there: more than 80% of financial advisors say that putting a tax lens on financial recommendations allows them to better serve their clients.



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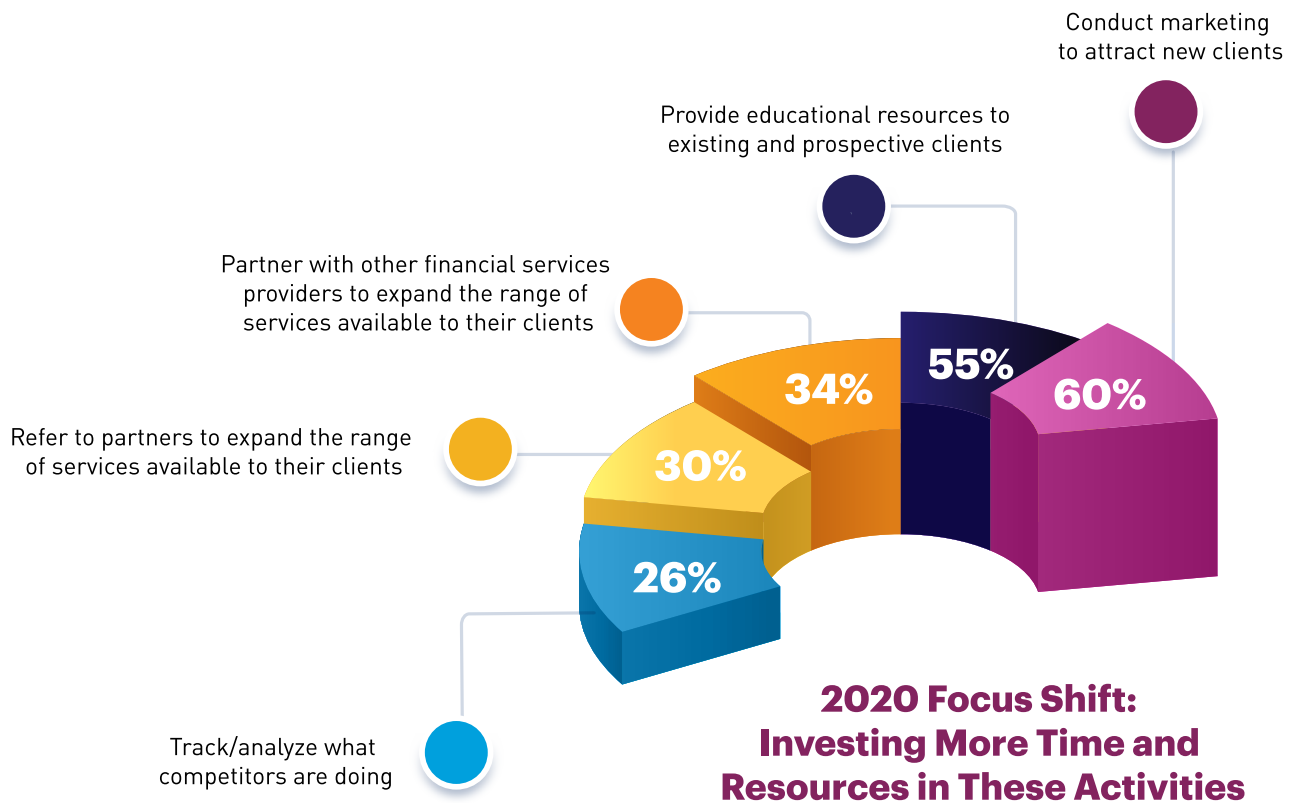
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The Laws of Attraction and Retention

The survey, which asked financial advisors about the priorities and challenges they face serving the needs of their clients and growing their businesses, is comprised of two groups of respondents: financial advisors only and those with a dual role of tax professional and financial advisor.

For those in the financial advisor-only bucket, attracting new clients (77%) and retaining existing clients (62%) are among their top strategic priorities. However, like so many across the financial services spectrum, these advisors are facing some fairly high hurdles in the near term, including the challenge of fewer in-person client interactions (60%), shifting client needs and behaviors (40%) and creating a marketing strategy that will attract/retain clients (36%).

To combat these difficulties, your colleagues seeking growth plan to invest more time and resources in these areas of their business:



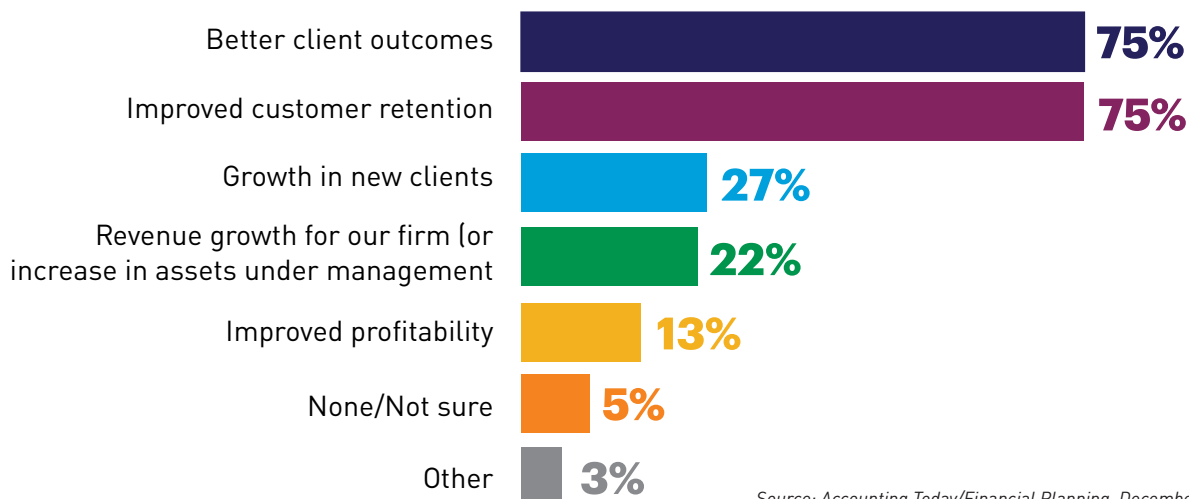
To help you stay at least even with the pack and possibly pull ahead, you need to make sure you have the vision and services in place to differentiate yourself, including an eye toward sound tax management on your clients' financials.

PLANNING FOR THE CERTAINTY OF TAXES

Consider the example of Davin Carey, who in 2007 joined a family firm that provides both tax/accounting and financial planning services. As a wealth advisor running the planning side of the business, Carey focused his efforts on working with clients on traditional wealth management issues. “But while I don’t do tax returns, I work really closely with the tax side of our firm to help our clients make tax-smart decisions,” says Carey, Senior Wealth Advisor with Carey & Hanna Tax & Wealth Planners in Oxnard, Calif.

But Carey is in the minority among advisors: Less than half say they always take a tax-inclusive approach with clients. This is surprising, because 75% say tax-inclusive strategies lead to better client outcomes and improved customer retention, among other key advantages like growth in new clients (see Figure 1). This gap provides proactive advisors who actually do go the tax-focused route the chance to gain an edge over those that just think it’s a good idea.

ADVANTAGES REALIZED BY TAKING A TAX-INCLUSIVE APPROACH



Source: Accounting Today/Financial Planning, December 2020

Bell sees the benefits of this tax-friendly approach for keeping existing clients happy—and loyal. “When it comes to building relationships, the better you know the client, the better you can serve them,” he says. “Offering tax and financial planning is a big part of that.” Case in point: Bell worked with a client who planned to sell one property and purchase another one. During the process, it became clear to Bell that the client’s sale of the property could have triggered a sizable tax bill. He suggested using a 1031 exchange, which allowed the client to avoid paying capital gains on the sale, since the proceeds were reinvested in another property. “By structuring it that way, we helped them save more than \$200,000 in taxes,” he says. “That’s money the family is able to enjoy.”

Based on the data, advisors are open to this kind of big tax-picture thinking to drive business, with 86% saying they believe a tax-specific pipeline would be beneficial. “From an industry trend perspective, clients no longer want to hop between three different professionals,” says Tim Stewart, vice president and head of business development with Avantax. “They don’t want to have to meet with a CFP, CPA and insurance professional. Instead, they want the optics of convenience.”

BUILDING YOUR RESOURCE POOL

So why do only 40% of respondents report always taking a tax inclusive approach to their clients' financial situations? One issue seems to be a lack of resources, which can be addressed by adding in-house resources, or, through what may be a more attractive solution: partnerships (a tactic more than one-fourth of respondents are embracing).

- **Partnership Option #1:** Partnering with tax professionals such as CPAs, creating alliances that can provide specialized tax expertise to clients AND serve as sources of referrals. Stewart notes that financial planners who work with Avantax have access to a broad network of tax professionals they can team up with. And those associations don't have to be one-on-one: financial planners may have relationships with several—or even several dozen—CPAs and other tax professionals. “You're not tied to just one relationship,” he says.
- **Partnership Option #2:** Working with a tax-focused broker-dealer. For instance, beyond providing connections to tax professionals, Avantax offers a dedicated regional growth consultant to help integrate tax-inclusive offerings and a specialized investment team to lead planners through tax-smart client strategies. A broker-dealer may also offer technology tools like Avantax's tax-loss harvesting platform, Social Security planner, 1040 Analyzer and the capital gains analyzer.

For his part, these tools not only help Carey inject tax-inclusive approaches into his process, but also offer an “in” to discuss investment tactics and opportunities. Putting a client's tax return through the 1040 Analyzer, for example, may uncover the chance to take advantage of new tax rules. Most important, this type of outreach lays a foundation for a longer, heartier client relationship. “When you can reach out directly, it's targeted advertising at its best—but it's the good kind,” he says.



OPEN A WINDOW OF OPPORTUNITY

In today's competitive environment, you need to find thoughtful, practical ways to deliver a more unique value proposition that helps you stand out from the crowd. "Now, more than ever, financial professionals that don't have a tax background or aren't partnering with a tax firm are finding that not offering the holistic, one-stop shop is starting to be a detriment to their practice, and to the overall client experience," says Stewart. Don't miss your window to shore up your current client relationships and create a hook to entice prospects by bringing the impact of taxes to the forefront of your investment services portfolio.

In Their Words

Financial advisors share why they think they could better serve clients by always putting a tax lens on financial recommendations

"Clients appreciate the holistic approach, and investments and taxes are very intertwined."

"Since we provide comprehensive services, our clients are confident in our ability to continue to provide, manage and deliver those services consistent with client expectations."

"Value-added services are achieved when saving client tax dollars."

"By offering tax advice and helping clients to minimize their tax burden my services have become intrinsically more valuable."

"Many clients just look at once a year getting taxes done, but I've always worked on advising year-long strategies. I send out newsletters to keep them away of the changing tax climate."



ABOUT

Methodology

Avantax partnered with Accounting Today/Financial Planning to understand the challenges and priorities that tax and financial advisor professionals are facing serving the needs of their clients and growing their businesses. The online survey was conducted in November and December 2020 among 99 professionals that offer financial advisory services, 46 of which had a dual tax/financial planning role.

About Avantax

AvantaxSM is a pioneer in tax-smart investing, financial planning, and wealth management. Tax and Financial Professionals partner with us to create new revenue opportunities by providing holistic financial services to their clients—families, individuals, and small businesses—all through a uniquely tax-focused lens.

About Arizent Research

Arizent delivers actionable insights through full-service research solutions that tap into their first-party data, industry SMEs, and highly engaged communities across banking, payments, mortgage, insurance, municipal finance, accounting, HR/employee benefits and wealth management. They have leading brands in financial services including American Banker, The Bond Buyer, PaymentsSource, Financial Planning, National Mortgage News, and in professional services, such as Accounting Today, Employee Benefits News, and Digital Insurance. For more information, please visit arizent.com



Our Philosophy

To ethically serve clients more effectively and completely, helping them honor the important promises they make to themselves and to their loved ones.

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