Wealth Management, With or Without a CPA

How to Get Involved and Grow a Practice

By Daniel J. Griesmeyer

I recently came across an advertisement for an upcoming meeting of the Nassau–Suffolk Chapter of The National Conference of CPA Practitioners, titled "Expanding Your Practice—How to Offer Additional Services and Get Paid for Them." This caused me to reminisce on my time as a partner in my family's CPA firm. Although we were tremendously effective at maximizing revenue via our core competencies, this left little time for additional growth. At partner meetings we would ask, "How can we grow by further monetizing our trusted client relationships?" The impediment was the lack of time required to deliver additional services with the same high caliber, technical proficiency that clients had come to expect. In the end, we found a way to generate growth each year by penetrating the wealth management market.

Many people believe that wealth management is only for the very wealthy, but this is simply not true. What about the middle-income family that needs to pay college tuition in 15 years? Or the small business owner who needs additional financing? What about retirees who need to know how much they can afford to spend during retirement? All of these types of individuals, none of which have limitless resources, require wealth management services. People searching for answers to these (and other) questions will be looking for assistance; they will be seeking wealth management services, with or without the help of their CPA.

One of the reasons that I became a CPA was to become my clients' primary financial problem solver. Why not embrace these wealth management needs for what they are—an additional way to help clients in their time of need? If we don't, they will have to navigate a very complex and unfriendly landscape on their own. When it comes to wealth management, CPAs need to stop asking if we should get involved and start asking how we can get involved. In my opinion, the preferred choice for CPAs is to outsource wealth management via a solicitor's agreement, and I will share below some best practices for choosing an appropriate partner.

Outsourcing: The Only Real Option for Most Firms

Firms that have decided to add wealth management services to their repertoire have a choice to build, buy, or outsource. For the vast majority of firms, the benefits of outsourcing far exceed the benefits associated with building or buying wealth management capabilities. The benefits of the outsourcing model, as compared to the other available options, are as follows:

- Little to no start-up or maintenance costs (profitable from day one)
- Little to no licensing or compliance requirements in New York
- Indemnification protection
- Non-exclusivity, to maintain independence
- Recurring revenue stream
- Minimal time commitment
- Economies of scale.

Each of the above benefits is discussed in more detail below. But first it is necessary to understand what a solicitor's agreement is and how it works.

Solicitors. CPAs can refer clients to investment advisers and receive a cash referral fee from the investment adviser. The SEC refers to the persons receiving such fees as "solicitors." A solicitor is generally not required to register

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as an investment adviser with the SEC if his activities are limited to referring clients to the registered investment adviser. In order for a solicitor to lawfully receive compensation from an investment adviser, the following conditions must be met:

- The investment adviser must be registered.
- The investment adviser and the solicitor must have a written agreement.
- Each client must receive a copy of the investment adviser's Form ADV Part II.
- Each client must receive a copy of the solicitor's brochure, which explains the relationship with investment adviser.
- Each client must sign an acknowledgement of receipt of both the Form ADV Part II and the solicitor's brochure.

Little to No Start-up or Maintenance Costs

In stark contrast to the capital investment required to build an internal wealth management department or acquire an existing practice, outsourcing via a solicitor's agreement requires no start-up costs. CPA firms typically receive 20% to 25% of the net investment advisory fee from client relationships each and every year. In other words, this is not a transactional business whereby CPAs receive a one-time commission on the sale of a product, as is the case with a broker-dealer relationship. This is a key difference between the solicitor's agreement model and the broker-dealer model, but it is frequently misunderstood; however, it can be illustrated with an example.

Under a solicitor's agreement, the 20% to 25% payout is the actual cash the CPA firm receives. Most broker-dealers will pay out 50% of the commissions; this is not cash, but rather is credited to a compensation grid. The amount credited to the grid ultimately determines the actual cash payout. Thus, the cash that most CPA firms receive is actually closer to 25% of the gross commissions generated under the broker-dealer model. Although it first appears that CPA firms receive a substantially higher payout from broker-dealers, this is typically not the case. (See *Exhibit 1*.)

A further example will help illustrate the immediate profitability of outsourcing via a solicitor's agreement. If a CPA firm executes a solicitor's agreement and refers a client with $1 million in investment assets at a 1% investment advisory fee, the firm will receive $2,500 per year for the life of the client relationship. Without incurring any costs, the CPA firm immediately realizes a profit of $2,500 on the very first client during the very first year.

As the client account grows, the firm will continue to benefit. For example, if the account grows to $1.1 million in the second year, the CPA firm will receive $2,750, representing a 10% increase. Many CPAs detest the delicate and difficult task of negotiating increases in client fees; however, such negotiations are not necessary with wealth management because fee increases occur naturally as a result of client account growth. A multi-year, multi-client example is shown in *Exhibit 2*.

To be most profitable under a solicitor's agreement, CPAs must exceed client expectations and maintain relationships over a long-term period, which aligns perfectly with how CPAs operate their core business.

Little to No Licensing or Compliance Requirements

In New York State, CPA firms generally do not need to be registered to receive fees via a solicitor's agreement. This is because solicitors do not meet the federal definition of an investment advisor or investment advisor representative, and solicitors are not defined by New York State law, ensuring a quicker, less expensive start-up process. It also eliminates the cost and time necessary to maintain licenses and comply with regulatory requirements. That said, this is a complex topic and must be treated as such. CPAs should consult with a registration consultant, such as National Regulatory Services, to discuss their specific circumstances.

Indemnification Protection

Financial services firms typically indemnify a CPA firm, its partners, and its employees from any damage, liability, loss, or expense related to or arising from investment advisory services provided to any individuals introduced to the firm.

Non-exclusivity

One concern that occasionally arises with CPA firms is the perception of a conflict of interest. Solicitor's agreements are typically non-exclusive, so CPA firms are not beholden to any one financial services firm. By establishing solicitor's agreements with multiple firms, CPAs can leave the final choice to the client and eliminate any perceived conflict of interest. This grants an advisor the opportunity to fully evaluate the firms that will advise clients, advocate on behalf of clients with each financial services partner, and still leave the final choice up to the individual; it is the best of all worlds. On the contrary, under the broker-dealer model, CPAs are technically employees of the broker-dealer; therefore they are not supposed to refer business away from it. This is a much clearer example of a conflict of interest.

Recurring Revenue Stream

Offering wealth management services is one of the best ways to monetize existing client relationships. In addition, it is possible to continue to receive benefits even after retirement. If the solicitor's agreement is

EXHIBIT 1
Solicitor's Agreement Model vs. Broker-Dealer Model

	Solicitor	Broker-Dealer
Gross Fees	$100,000	$100,000
Solicitor's Payout: 25%	$25,000	
Broker-Dealer Payout: 50%		$50,000
Broker-Dealer Grid payout: –50%		$25,000
Cash to CPA Firm	$25,000	$25,000

executed by an individual (or a separate entity established by the individual) and not a firm, one can continue to receive the revenue share during retirement. With many CPAs devoting their working years to their business, how to best monetize this work upon retirement is a typical concern.

Minimal Time Commitment

One of the most difficult aspects of growing a CPA firm is effectively leveraging the time of partners and staff. It is often very difficult to significantly grow revenue without hiring additional employees. Recruiting, training, motivating, and overseeing staff is time-consuming and expensive. Outsourcing allows growth without the corresponding investment of additional time and capital.

Consider the following example. If a client wishes to have an additional tax return prepared, more work must be performed in order to realize the additional fees. Once a wealth management plan is established, however, it does not require more time or work to realize the additional fee revenue if the client wants to add money to the plan. It generally takes a similar amount of time to manage a $100,000 portfolio as it does to manage a $1 million portfolio. Wealth management is a more scalable business than accounting.

Economies of Scale

The economies of scale realized from outsourcing wealth management are most prominent in the following three areas:

- Flexibility to service a range of clients
- Negotiating preferred pricing
- Marketing support.

Flexibility to service a range of clients. Outsourcing makes it possible to take on small accounts, but have the depth and breadth of resources and solutions to service the most complicated accounts. This is important because once individuals have accumulated significant wealth, they are extremely difficult to acquire because they have developed loyal relationships with advisors who guided them from the beginning. Thus, it is critical to have the ability to open small accounts for clients, while also having the skills and resources to grow with them as their wealth increases and their financial situation becomes more complicated.

For example, I have worked with many doctors. Most of these relationships began when they were residents with no income, significant debt, and no assets to invest. Within 10 years, however, these same individuals have become department chairs or practice heads, and they have a seven-figure income, no debt, and a multi-million dollar portfolio. When they reach this level of success, there is no possibility of a new financial advisor gaining the relationship. Clients like these are very loyal; they remember who advised them when no other financial professionals were interested because of their lack of assets.

Negotiating preferred pricing. I call this the Walmart effect: Walmart, because of its sheer size, can negotiate much better prices with suppliers than the local neighborhood retailer. In the same fashion, large financial services firms can negotiate better pricing on behalf of their clients than small practitioners can.

Marketing support. It may be a stereotype, but many CPAs are not great marketers. Outsourcing, if done properly, immediately adds a staff of marketing and sales professionals to a CPA's team to help grow that side of the business. Best of all, these additional resources come without a capital investment.

The Next Step: Choosing an Outsourcing Partner

Once a CPA has decided on the outsourcing model, the next step is choosing a partner. Focusing on the following decision points can help streamline the decision-making process:

- Experience
- Internal controls
- Marketing support and execution
- Investment philosophy and service model
- Team versus individual
- Customization.

Experience. Because a wealth management partner is an extension of the firm, one must identify a partner that has the experience and expertise to match. Wealth management providers should be evaluated not just on their experience with clients, but also on their experience servicing CPA firms. In addition, an outsourcing partner's experience should be congruent with a CPA's client profile. For example, if one primarily serves not-for-profit institutions, any professional partners should specialize in not-for-profits as well.

As for expertise, look at credentials and client case studies. Just as clients value their accountants because of the commitment they made to technical expertise by obtaining their CPA license, finance professionals should make a similar commitment to their professional excellence. Look for designations such as CPA, certified financial planner, certified investment management analyst, certified private wealth advisor, and chartered financial analyst. In addition, review a case study with prospective partners to see the way they work with their clients and the types of solutions they can provide.

Internal controls. With so many moving parts, it is easy for things to slip through the cracks. CPAs must understand the internal controls in place for service, monitors, investments, and the financial planning process. Going through all such controls is beyond the scope of this article, but CPAs should make sure that their wealth management partner has these controls and that the CPA understands them.

Marketing support and execution. CPAs should ask the following question of a potential partner: "What is your process for supporting my marketing efforts to increase wealth management business?" A CPA can typically refer between $5 and $10 million in assets to a provider immediately upon signing a solicitor's agreement. After this initial burst, however, the business often comes to a grinding halt. Some CPAs might add only one client to their wealth management platform after several years. But this doesn't mean that the CPA only had one client who needed wealth management services over a several-year time span; despite having the best intentions, wealth management often gets pushed to the back burner as CPAs concentrate on their core services. The best partner is one who understands this, will become actively involved in the marketing process, and most importantly will help execute and make wealth management a thriving segment of a CPA's business.

Investment philosophy and service model. Even though CPAs are auditors,

forensic accountants, and controllers, most people associate CPAs with taxes. In the same way, most people assume all finance professionals are stockbrokers ready with a hot stock tip. But financial advisors, much like CPAs, conduct business in different ways. Some are stock pickers, while some are trade intermediaries; some are insurance specialists, while some are retirement plan specialists. Still others take a holistic planning approach, of which investment management is just one component. While I would argue that the holistic approach is best, the most important consideration is to thoroughly understand a partner's approach; there is nothing worse than thinking a partner will provide holistic planning, but discovering that every client seems to end up in an annuity. CPAs must understand what is important to them, their practice, and most importantly their clients, and then find a partner that complements and augments these needs.

The same goes for service—no two advisors are identical, so CPAs should you understand exactly how their clients will be serviced. Some advisors meet with clients quarterly and contact them monthly. Some contact quarterly and meet annually. Some only meet when clients are upset. Still others segment their book of business and provide a higher level of service to their largest clients. Whatever the model, understand it and be comfortable with it.

Team versus individual. Most individual advisors do not have enough time in the day to properly service a heavy referral flow—especially when one considers that to have sufficient past experience, a financial advisor must already have several referral relationships. I believe in the merits of the team approach. A team gives one the flexibility to service multiple types of personalities. It affords the ability to have many specialists within one team, giving clients access to vast technical expertise under one roof. A team creates the depth to service heavy referral flows in short periods of time. It ensures that clients always have someone from whom they can get advice (i.e., in the event of vacation, sickness, or family emergency). Finally, clients often recognize the benefits of a team as well. Perception is reality, and having a relationship with a 10-person team appears more powerful than a relationship with a single individual advisor.

Customization. No two CPA firms operate in the exact same manner. Successful CPAs have invested significant time to customize operating procedures that are beneficial for them and their clients. Therefore, when searching for an outsourcing partner, it is imperative to select a team that has the experience, resources, flexibility, and confidence to customize each of the above decision points (experience, internal controls, marketing support and execution, investment philosophy and service model, team versus individual). CPAs should remember that this wealth management platform will ultimately be a direct reflection on themselves, their firms, and their reputations, and they shouldn't sacrifice procedures that are important.

Building on Trust

A CPA's clients will seek solutions to their wealth management needs with or without their accountant. As their most trusted advisor, CPAs owe it to clients to guide them through this very important—but extremely complex—landscape. It is imperative for CPAs to develop a means of providing wealth management in the same technically proficient manner that clients have come to expect from core services. For the majority of CPA firms, the most effective method of providing these services is by outsourcing via a solicitor's agreement with a partner that has the expertise, experience, internal controls, and depth and breadth of resources to provide both the firm and its clients (big and small) with a repeatable process and an exemplary client service experience. ❑

Daniel J. Griesmeyer, CIMA, *is a financial advisor with Morgan Stanley Smith Barney, Garden City, N.Y.*

EXHIBIT 2
Solicitor's Agreement Model over Time

Year	Beginning Assets	New Assets	Cumulative Assets	Investment Advisory Fee (%)	Investment Advisory Fee ($)	CPA Revenue Share (%)	CPA Revenue Share ($)
1	–	$5,000,000	$5,000,000	1%	$50,000	25%	$12,500
2	$5,000,000	$5,000,000	$10,000,000	1%	$100,000	25%	$25,000
3	$10,000,000	$5,000,000	$15,000,000	1%	$150,000	25%	$37,500
4	$15,000,000	$5,000,000	$20,000,000	1%	$200,000	25%	$50,000
5	$20,000,000	$5,000,000	$25,000,000	1%	$250,000	25%	$62,500

Business Credit Scores

What CPAs Need to Know

By Tracy Becker

Credit scores have become a major factor in today's economic climate, not just for consumers, but also for businesses seeking financing, credit extensions from vendors, business credit lines, and bank loans. In the same way that restrictions have tightened on personal credit and home mortgage loans, business loans and lines of credit are issued with greater trepidation and stricter qualifications than before.

CPAs, like many professionals today, must expand their ability to offer creative solutions for the many challenges that businesses must face in order to succeed. CPAs can offer advice to companies by making them aware of the high interest rates and fees that result from poor business credit scores—not to mention the loss of potential new business. CPAs can determine if a business is overpaying by asking questions about payments and interest on credit extensions, loans, leases, and lines. In addition, CPAs who ask companies to provide them with a copy of their Dun & Bradstreet (D&B) credit profiles can also provide insight into credit improvement needs.

Once businesses are educated and made aware of the cost of their credit, they can work on payment patterns and credit improvements by deciding which options best suit them. Depending upon the type of businesses, companies can either use credit restoration and monitoring tools or can hire additional staff to oversee fluctuations in credit scores. For CPAs, this is a great way to build and solidify relationships with existing clients by offering added value. CPAs who understand that business credit—like personal credit—must be protected will deliver more opportunity, financial security, and savings for businesses by helping them qualify for hard-to-get loans and credit, and save money through interest rates and closing costs.

Achieving High Credit Scores

Many bids and products are rejected due to low business credit scores. Vendors, lenders, business-to-business services, and even potential customers review D&B credit reports when they make business decisions. The key is having a solid D&B PAYDEX score of 75 or higher over long periods of time. Because creditors and potential clients are reviewing a business's history over a 12- to 24-month period, having a great credit score today might not be enough. The right consistent credit score can be the difference between the approval or rejection of loans, lines of credit, and leases. It can signify that a business has paid its bills on time and has the ability to manage financially with foresight.

When a company can show continuous positive credit scores over a long period of time, it will be more successful when competing with other companies for approval on a bid; many companies will absolutely not do business with suppliers or vendors if their D&B PAYDEX score drops below a certain threshold. Thus, CPAs should advise businesses to—

- review costs on leases, lines, equipment, loans, credit cards, and vendors, while analyzing interest rates and fees associated with credit ratings;
- oversee their business credit profiles, whether they hire a third party or manage them on their own, in order to review and monitor credit (i.e., update current financials and resolve frivolous derogatory information before it mars the view of potential creditors, vendors, lenders, and clients);
- pay all bills on time (especially higher-debt vendors);
- avoid sloppy payment experiences and incomplete profiles that show outdated information;
- check if there are any late payments, liens, judgments, or collections;
- know what vendors are listed on their business profile and add more vendors that the business knows will be paying on time;
- know who is viewing their profile (which could be an opportunity to find potential clients and learn more about the competition);
- focus on the consistency of credit scores, not just the current score;
- remember that any financial information that is posted becomes viewable by the public; and
- refer clients to a sophisticated and reputable source for credit education and restoration.

Case Study

The following example demonstrates how one diligent New Jersey CPA helped an industrial manufacturer save thousands of dollars on a large equipment loan for his factory.

This CPA's client planned on financing the purchase of equipment; however, around the same time, he decided to set up automatic online payments for a Macy's credit card and a mortgage account, both of which were usually handled by his wife, who was ill at the time and unable to manage the bills. About two months later, the client received a call from Macy's and a notice from the mortgage company looking for payment on both accounts. After investigating, he realized the automatic payments never took effect. He promptly paid the creditors, but did not uncover the damage that the late payments had caused to his credit score until he applied for financing. To his shock, his FICO score was reduced from a high 725 to a low 615.

Furthermore, his D&B PAYDEX score was low, at 55, and his company had paid creditors late due to slow collections of their own receivables, creating a domino effect. Although it was not his fault that clients had paid late, leaving him with limited funds to make timely payments to his own creditors, his score was negatively affected. After contacting Macy's and his mortgage company, he was very frustrated and surprised to learn the law allows them to report the late payments for seven years.

At a loss, he called his CPA for advice, who knew enough to immediately refer him to a credit restoration expert, who was successfully able to remove the late payments from Macy's and the mortgage company, increasing his FICO score to well above 700. Within 10 days, his D&B PAYDEX score increased to 70, leaving the client able to get approval for the financing he needed.

Based upon the information he was given by his CPA, the client was able to take action in restoring his credit and improving his business. By guiding him to an appropriate solution, this CPA not only had a grateful client, but was soon referred to other potential clients.

Considerations on Cloud Computing for CPAs

By Ralph Awad

One service that is changing the landscape of business and information technology in significant and far-reaching ways is cloud computing. Cloud computing is an efficient, on-demand service that uses the Internet and central servers to store and access information remotely. It has been around for many years, but has gained visibility recently through applications called integrators. Cloud computing ties each component together to allow users to go from ordering cloud space to using the space in less than one hour. CCH, the developer of the ProSystem Suite of accounting software, is making headway in the world of cloud computing; it continues to work toward using the cloud to house CCH products. Other accounting-related programs, such as QuickBooks, Peachtree, and BNA, can conceivably be hosted in the cloud as well. This article will discuss the benefits and drawbacks of cloud computing and how it can be useful to CPA firms and their clients.

Problems with Servers

Traditional software applications such as Microsoft's Dynamics GP can be complicated and expensive. They run on bulky servers and reside in data centers that are responsible for the powering, cooling, networking, and storage of these applications. Traditionally, IT professionals or consultants are tasked with physically installing, configuring, testing, and running company servers while also providing backup and restore support for any production failures.

The average lifespan of a server is only three to four years, depending upon size and usage. In addition, some accounting firms may not require large amounts of server space for the months of the year outside of the busy season. This could mean they are wasting resources on a system designed to meet the needs of the peak season.

From a business continuity perspective, housing servers and their backup in a single location places organizations at a great deal of risk in losing important data. It's worth considering the risk of losing significant information such as client records, quarterly sales figures, and tax ID numbers if something happens to the server location.

Advantages of Cloud Computing

Businesses can reduce the use of space, equipment, and IT labor while improving application backup with cloud computing. It is scalable and flexible. Instead of building, owning, and staffing a data center, cloud computing lets outside experts take care of the management, maintenance, support, updates, and upgrades.

When users utilize an application that runs "in the cloud," they log in to a customized interface and can then begin working. Businesses using cloud servers can bring ideas to market faster and respond quicker to customer needs. Some accounting firms already run all types of custom-built cloud computing applications for customer relationship management, human resources, and specialized accounting needs. Through cloud computing, these applications can be up and running in minutes, which traditional business servers cannot do.

Cloud programs provide a cost-saving opportunity because businesses do not pay for staff, products, or facilities to run them on their own. Their sharing of the physical hardware with other users distributes the cost. Payment for cloud-based applications is bundled into a monthly subscription, so companies only pay for what they actually use. The model is similar to paying a monthly electricity bill, which is based on voltage used.

Within the accounting profession, there has been debate about the effects of cloud computing on capital versus operating expenditures. The current literature does not suggest a financial benefit in moving the costs from one area to another. Nevertheless, there is a business benefit in having a cash outlay over time become a fraction of an upfront investment over the same period of time.

Security is an important factor for CPA

CLOUD COMPUTING TYPES

SaaS (software as a service). Software is hosted in a central location and available for distribution on demand through the web. The software is configured, updated, and maintained centrally while made available for users remotely. One example of an SaaS application is Google Docs, which is an online application for creating and storing basic information in documents accessible from any computer.

IaaS (infrastructure as a service). Provides all the hardware, software, facilities, and expertise for an application to be installed and complete the application life cycle. Think of it as a virtual server with an operating system and associated services that is made available for installing your applications in the cloud. The author's company, ReliaCloud, and Amazon EC2 are examples of IaaS cloud computing providers.

PaaS (platform as a service). Designed with developers in mind. It is a set of tools, rules, and guidelines for developers to follow when building an application in the cloud. Microsoft Azure services is an example of a PaaS cloud computing provider.

Each of these types of cloud computing services has managed enterprise-class infrastructures that offer scalable, secure, and reliable environments to host data storage, customer relationship management software, messaging programs, and other types of applications.

firms to consider. Security safeguards for cloud-computing users continue to improve due to advancements in network, microprocessor, and virtualization technologies. When properly managed and configured, cloud hosting can be as safe and secure as any in-house solution running on dedicated servers. The areas of greatest concern include data integrity, theft, backup and recovery, and regulatory compliance. Each of these issues can be addressed with privileged user access, multiple layers of physical security, storage area network (SAN) backup and storage, and private cloud solutions.

In a traditional business environment, the average server uses less than 15% of its total capacity; the rest of the time, servers are consuming power, producing heat, and occupying data center space. It takes more power to cool the equipment and start the cycle over again. Studies suggest that only about 40% of data center power is actually used to fulfill the IT load. A cloud computing environment with a well-designed architecture can have average server utilization rates as high as 85%.

Implementing Cloud Computing

In evaluating cloud computing platforms for a CPA firm or business, it's best to start small. Try using cloud service for a few short-term projects to test its efficiency and effectiveness. If the short-term experience is a success, then opt in for a longer-term cloud approach. The following are a few important items to consider when choosing the right cloud partner:

Provider. Transitioning to cloud services is not a simple task. Base the decision on a proven track record, financial stability, and technical competency. Selecting the right partner will help staff adopt this new technology more easily.

Application type. Not all applications work well in the cloud; a lot depends upon a user's specific application needs. Talk with cloud computing experts can talk about the most-used applications and how they will function in the cloud.

Security. A well-designed cloud computing environment should have a solid, logical separation between servers. Utilizing economies of scale, cloud providers can assemble a team of experienced security engineers to analyze and fend off any threat, something that is vital in a shared environment.

Making the Shift

Cloud computing is a simple idea that can have a huge impact on a business by leveraging economies of scale. Using the cloud is a paradigm shift that an IT department can struggle with at first, because it will no longer be responsible for the technical details of a company's server use; however, letting go of the reins will open new doors to innovation. Trust is essential when changing one's hosting approach, but cloud computing has the potential to streamline any business's operations.

Ralph Awad *is director of data center operations for ReliaCloud, a company that offers small- to medium-sized enterprises cloud computing servers and storage space.*

viewpoint

The Best Accounting Firms to Work For

Popularity, Prestige, and Quality of Life Rankings Explored

By Christina Doka

There's no question that the Big Four accounting firms dominate the market in terms of size and revenue. In a recent survey, CPAs also rated the Big Four among the top five accounting firms to work for in the country; however, a closer look at the results reveals that these same accountants thought that smaller firms offered a better quality of life.

The Vault Accounting 50 is an annual survey conducted by Vault, a publisher and website that provides rankings for categories ranging from accounting firms to law schools, as well as overviews of various professions, companies, and universities.

"We get inside information about what it's like to work for a company … so our readers can make informed choices," said Derek Loosvelt, finance editor at Vault.com.

To compile the rankings for its Accounting 50, Vault asked approximately 80 national firms to participate in its electronic survey; of those firms, approximately 30—more than 4,100 accounting professionals (e.g., accountants, CPAs, tax professionals, auditors)—actually participated. In each category, a minimum of 20 survey responses was required for a firm to be ranked, Loosvelt said.

Survey respondents rated public accounting firms on a scale of 1 to 10 in quality-of-life categories (including their own firms) and based upon levels of prestige (excluding their own firms). Using a weighted formula combining a firm's prestige ranking (40%) with several of its quality-of-life rankings (20% firm culture, 10% work/life balance, 10% compensation, 10% business outlook, 10% overall job satisfaction), Vault created a single "best to work for" category.

And the Winner Is…

Ernst & Young led the list, rising from its prior-year rank of 22 and knocking Grant Thornton down from first to second place, according to the survey results. The remaining three Big Four firms followed: Deloitte held steady at third; PricewaterhouseCoopers ranked fourth, falling from second place; and KPMG rose to fifth place from its prior-year rank of 23.

The strong performance of larger firms like Ernst & Young and KPMG—which completed the survey this year after not participating last year—reveals that prestige remains important to accounting professionals, Loosvelt said. This year's strong performance by the Big Four could also

have resulted from changes made within the firms to rectify weaknesses and better satisfy employees, said Ernest Patrick Smith, a partner at Nawrocki Smith LLP and a professor of fraud and forensic accounting at Hofstra University.

"Ernst & Young, from the responses this year, was pretty far ahead of PricewaterhouseCoopers and Deloitte in a few categories, like work/life balance, culture, and hours," Loosvelt said. "That's why they came out on top."

Following the top five firms were Plante Moran in sixth, which formerly held the 27th place; Moss Adams, dropping to seventh place from sixth; Baker Tilly Virchow Krause, rising to eighth place from 16th; Rothstein Kass & Company, which slipped to ninth place from fourth; and Eide Bailly, which rose one ranking into the top 10, according to the survey data. (See *Exhibit 1* for a closer look at the top 10 firms.)

Vault also created individual lists for prestige and for multiple quality-of-life categories. Surveyed accountants voted PricewaterhouseCoopers the most prestigious firm for the third consecutive year.

But none of the firms named by Vault as the top five firms to work for placed highly in any of the 15 quality-of-life divisions, which ranged from work-life balance and formal training to business outlook and green initiatives. (See *Exhibit 2* for a complete list of quality-of-life winners.)

"People … still care about prestige, but they care about their daily work life," Loosvelt said. "They want places that are going to foster their development, where they *want* to go to work every day."

And smaller firms plan to continue pursuing higher rankings in coming years, according to Friedman LLP Human Resources Director Jeff Agranoff. He cited his company's policies that promote open communication, informal and formal mentoring programs, and flexible scheduling—such as "summer Fridays," during which the office is closed every Friday between Memorial Day and Labor Day—as some reasons for the firm's first place ranking in both work/life balance and overall satisfaction categories.

"I run my own fifty-person smaller firm," Smith said. "And because of our size, we are able to create situations for people so that they can have both a career and a home life."

Implications for the Profession

The Big Four's standing in surveys like these may be unlikely to change in coming years; these firms aim to recruit high-performing students graduating from college and "the only way they're going to continue to get those candidates for employment is to continue to achieve these kinds of rankings," Smith said.

Students who strive to work at Big Four firms "want a star on the resume," said Caleb Newquist, editor of the accounting blog Going Concern. "The advantage just lies with the Big Four. That's the game."

But Norman Strauss, Ernst & Young Executive Professor in Residence at Baruch College, isn't so sure that that's the case for everyone. Although he advises students to consider aiming first and foremost for the Big Four, he knows that firms outside of the Big Four offer opportunities for ambitious young professionals as well.

"I remember way back, when you didn't think so much about the quality of life. You just went in, rolled up your sleeves, and hope you continued to advance," Strauss said. "Now … it's much better."

Smaller firms have witnessed an increase in the number and quality of graduating college students who seek employment with them, Agranoff said. And in at least one graduating accounting class at Hofstra, not one person has plans to work at a large firm, according to Smith.

Ratings like these help graduating college seniors analyze individual firms and compare firms across a variety of categories, Smith said. But given the tough economy, it's optimal for students to maximize the number of interviews they go on, regardless of their firm preferences, Strauss said. After they receive job offers, they can then choose the firm that they prefer.

"I tell my students that I think public accounting is a career where you can actually advance primarily based upon your own abilities," he said. "If … you're willing to work hard and continue to keep learning, then you can do very well in the accounting field." ❑

Christina Doka *is the assistant editor of* The CPA Journal*, New York, N.Y.*

I am a first-year associate at Ernst & Young, and I recently read Joanne Barry's article about the importance of professional association and the growing generational gap in groups like the NYSSCPA ("Mending the Gaps in the Generational Bridge," *The CPA Journal*, July 2012). I just wanted to reach out and say that your article has inspired me to be more proactive in joining professional groups. I have colleagues who are young professionals like myself who have passed the CPA exam and have not continued the process of submitting the necessary paperwork to join these professional groups because they view it as just a formality, rather than a "collective society"—as you referred to it—that can accomplish great things. There is also not much of a push from baby boomers to invite professionals from the younger generation into these professional organizations, using means like Twitter, Instagram, or Facebook, which is what our age group responds well to. Hopefully, a solution can be found so that there's a steady succession within these professional groups.

After reading your article, I have joined a few organizations, including the New York chapter of the Chamber of Commerce, and I look forward to obtaining my NYSSCPA membership after I complete the final portions of my CPA exam.

Reuel Matthew
Ernst & Young LLP

Potential Benefits

Businesses must take steps to monitor and improve their credit scores, especially if they are seeking financing, credit extensions, bank loans, or credit lines. CPAs should advise their business clients to aim for long-term positive scores and should share the tips described above. As demonstrated in the case study, both CPAs and businesses can benefit from remembering the importance of good credit scores. ❑

Tracy Becker *is president and founder of North Shore Advisory, Tarrytown, N.Y., a credit restoration and advisory company.*

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