



Nothing But Net

**Propelling Client Growth with After-Tax
Financial Planning Strategies**

Avantax[®]

Advisors Can't Afford to Overlook a Tax-Focused Approach

Clients want holistic financial planning advice, including solutions to minimize their taxes, but many advisors aren't providing it — even though firms that do correlate their success in growing and retaining clients to the fact that they offer they include comprehensive tax planning strategies.

What's even more troubling is that in a recent survey, 8 out of 10 financial advisors think they could better serve their clients by always putting a tax lens on financial recommendations.*

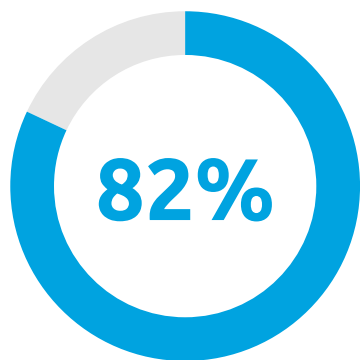
So What's Preventing Advisors From Offering True Tax-Focused Services?

If clients get improved results, and firms are better positioned to grow and retain clients, why wouldn't more advisors jump at the chance to incorporate these strategies into their planning process? A lack of technology, client education and a true understanding of comprehensive tax-planning strategies are the biggest culprits.

A Lack of Technology — CPAs who also provide financial planning advice are on the rise and no wonder. They can provide a single-provider tax and financial planning solution to better serve their clients. The problem? Scalability. These advisors have the know-how but may lack the tools to efficiently apply tax-smart strategies in every client's financial plan — resulting in only the top clients receiving holistic advice, or only a few strategies being applied.

A Lack of Tax Knowledge — Tax-loss harvesting and rebalancing alone aren't enough. Comprehensive tax-smart strategies cross a spectrum of financial planning solutions and without the proper tax background and up-to-date knowledge of tax regulations, many advisors simply aren't able to effectively provide them.

A Lack of Client Education — Clients often focus more on what they make in the market each month rather than how much they accumulate in assets over time, and that can prompt advisors to make market returns the goal to keep clients happy. Unfortunately, that limited approach can hurt clients financially in the long run.



of Financial Advisors see value in a tax-inclusive approach to investments and even more see partnerships with tax providers as a valuable way to grow their businesses (86%).*

*Source: Arizent 2020 tax and financial advisor professionals survey

Firms Attribute **27% of client growth** to the fact that they provide a tax-inclusive approach to financial planning.*

The Importance of Net-Focused Planning on Portfolios

Taxes have the ability to erode the net result of your clients' hard work. That's why true comprehensive advice means focusing on after-tax results — not just how a portfolio performs.

Take a look at the chart on the right. By reducing the amount of income an investor loses to taxes (commonly referred to as "tax drag") you can help clients add a potential value of up to 1.2% annually. Over 10 years, that value could make a significant difference in their overall worth.

A Lack of Tax-Focused Planning Can Hurt Clients

Brian Stephens, CPA and CFP® with Texas-based firm Davis & Associates, started doing taxes long before becoming a financial advisor. What prompted the change? He kept providing clients with advice to minimize taxes in their investment accounts, but many financial advisors wouldn't implement his tax-conscious solutions, and clients were paying the price — literally. "That's what drove me to do what I do today. The ability to solve a client's needs in one stop," said Stephens.

Some prospects are only interested in the net result, often because they don't understand the long-term impact taxes can have. The lack of tax-focused advice resulted in missed opportunities for one high-net-worth client, according to Stephens. "Had he done a Roth Conversion early on, he could have taken advantage of lower tax brackets that would have resulted in more retirement income," said Stephens. Since then, Stephens is happy to report that the client has moved all of his funds to Davis & Associates solely because of their integration with tax.

Tax-Forward Strategies Affect Every Age Group

Financial planning with a tax-focused lens isn't just for clients in or nearing retirement. It's about how client assets are allocated, how much they have in their 401(k) and how much cash they have right now, said Stephens. Take one 40-year-old client with a \$5M IRA who was still funding pre-tax retirement accounts. Stephens advised the client, "You're never going to be in a lower tax bracket...so you need to be planning today."

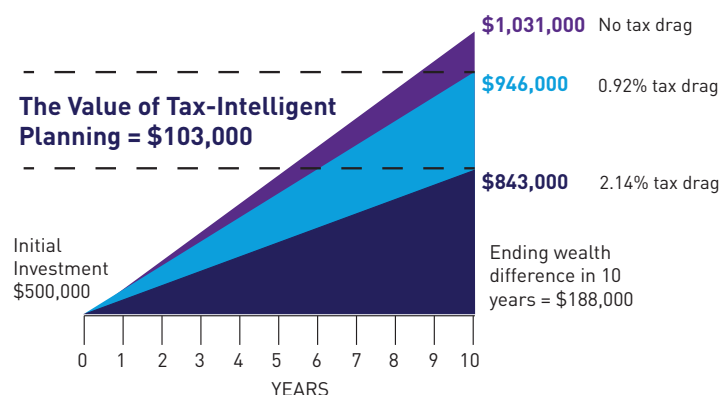
Multiple Solutions Are Available To Help Reduce Tax Drag

Roth IRAs are just one tool that can potentially offer clients more retirement income. Strategies to achieve better after-tax outcomes can be applied to almost every stage of the financial planning process from saving to managing investments to optimizing retirement income.

Tax drag is not only a burden that weighs on returns over time but also an indicator that portfolios are not deploying proper solutions. A tax-aware advisor can both identify the problem as well as the solution.**

Helping Investors Keep More of What They Earn

Hypothetical Growth of \$500,000 at 7.5% Annual Return Per Year



**Russell Investments / 2022 Value of an Advisor Study

Chart Assumptions: This example does not reflect the deduction of state or federal income taxes. If it had, returns would have been lower. This is a hypothetical illustration and not meant to represent an actual investment strategy. Taxes may be due at some point in the future and tax rates may be different when they are. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Source: Russell Investments' 2022 Value of an Advisor Study. To get the full study, go to https://russellinvestments.com/Publications/US/Document/Value_of_Advisor_EI.pdf.

SWITCHING TO A TAX-INCLUSIVE PLANNING APPROACH

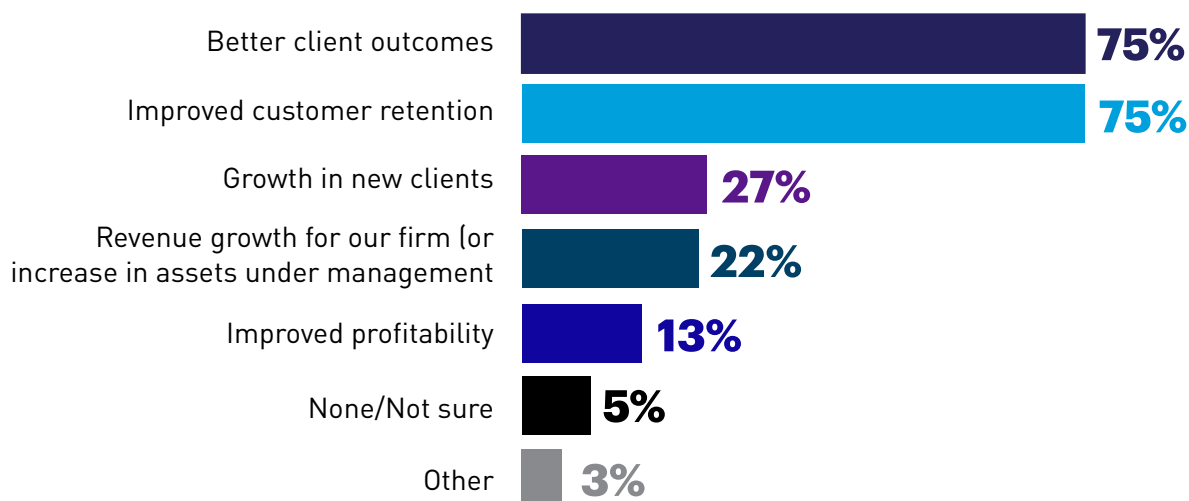
Using the Right Technology

In a recent survey, 58% of FAs polled shared having access to tax-planning strategies was very or moderately important, however only 44% state this service is provided by their broker-dealer.*

Why That's Significant

Most advisors don't have the manpower to manually apply tax-smart strategies, and if you read the fine print, many broker-dealer's don't offer them unless clients have significant assets. That's where the right technology can help you set yourself apart with the ability to scale up and provide tax-conscious planning to all your clients.

ADVANTAGES REALIZED BY TAKING A TAX-INCLUSIVE APPROACH



A robust tax-focused technology platform can help automate processes in these key areas:

- After-Tax Account Management
- Asset Location Optimization
- Income Planning
- Income Distribution
- Legacy Planning

Stephens' assistants use the tax-focused investment platform his broker-dealer, Avantax, provides to help identify tax-saving opportunities and prepare for client meetings. "My assistants can use our broker-dealer's tax planning tools to run reports and understand them even with no tax knowledge," said Stephens.

*Source: 2022 Research commissioned by Avantax and conducted by Arizent Research/Financial Planning.

**“[Now that clients are understand our tax-focused approach],
they’re the absolute best referral source you’ll ever see,”
said Stephens.**

Partnering with Tax-Focused Planning Experts

For CPAs and Tax Professionals — If you’re a practicing tax professional, you have the knowledge to offer tax-focused financial advice, but you can still benefit from working with financial partners whose expertise is also focused on after-tax results. Their team of experts can share the latest wealth management solutions, help you stay current on the impact of changing tax legislation and help educate clients.

For Financial Advisors Without a Tax Background — Partner with a firm that specializes in tax-smart planning strategies or consider hiring a tax professional to expand your in-house services to include both financial planning and tax preparation. With some due diligence, you can find a broker-dealer that’s invested in providing training, technology and resources to support advisors who want to grow their practice and offer more to clients.

Educating Prospects and Clients

Stephens says being able to demonstrate the results of tax-focused planning has had a significant impact on client satisfaction and his rate of referrals.

“Our broker-dealer has developed some tax tools that allowed us to print a report of our portfolios and say to clients ‘here’s what you can reap in benefits if we just rebalance or retool these assets you own in these taxable accounts, and here’s what you can do with it’...the beauty is you’re preparing their tax return and you can quantitatively tell them how much money you’re saving them just by making that change,” said Stephens.

Looking for Growth?

Firms attribute **27%** of their growth and **22%** increase in revenue or AUM to offering financial solutions with a **tax-focused lens**. Learn the significance of a comprehensive planning approach — both for your clients and your practice.*

*Source: Arizent 2020 tax and financial advisor professionals survey





Tying It All Together

Offering comprehensive financial planning solutions that factor in the impact of taxes can help your clients better achieve their financial goals and differentiate your practice from the competition.

According to a Vanguard paper on adding value as an advisor, “If future returns turn out to be more modest while taxes on those returns are higher than they have been, as some professionals are forecasting, then total costs (management fees, expense ratios, frictional costs, taxes, etc.) will erode an investor’s returns even further. And tax-conscious financial planning and tax-efficient portfolio construction will have proportionately larger benefits.”

It’s an approach that’s worked well for Davis & Associates. In the beginning, they were doing 7,000 tax returns a year. Since they’ve retooled their business model, they’ve purposely reduced that number to about 3,000 returns and instead focus on providing comprehensive tax and financial planning services to clients interested in long-term strategies to maximize net assets and plan for future generations. It’s a model that provides steady income throughout the year rather than being tied solely to tax season.

According to Stephens, it’s about designing a practice around doing what’s best for their clients. “What can we do for the client besides just investing in the account,” is what Stephens asks himself. “Anybody can do investments. It’s really not that hard. It’s all the other things we bring to the table that really add value to the relationship,” he said. His firm is seeing good results.

Getting Started

Expanding your financial planning approach may sound a little daunting at first, but the right firm can amplify your growth trajectory. That’s where Avantax Wealth Management® can help. We pioneered tax-smart investing over 40 years ago and we’ve developed a comprehensive technology platform designed by a team of CPAs and tax-savvy financial advisors.

“Avantax always taught us to focus on the total client experience to make sure the client is feeling informed, educated and getting the best rate of return based on the assets they have,” said Stephens.

Find out more about our comprehensive training program including national conferences, local chapter meetings, convenient online training and a robust coaching program. We’re more than just a firm with a tax-smart philosophy — we have the tools and training to help grow your practice. Talk to us today about reaching your goals for your practice.

Source: <https://www.vanguard.com/pdf/ISGAA.pdf>



“90% of the time when a client comes to us with tax planning issues, they eventually become our investment client. It’s just so much simpler when you have a one-firm approach,” said Stephens.

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. This research was conducted online during September 2022 among 107 qualified Financial Professionals. All respondents personally manage at least \$50M in assets and have been in financial services for at least 5 years.

About Avantax

Avantax® 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 comprehensive 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.



Our Philosophy

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Avantax[®]

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For more information about Avantax, visit avantax.com or call a Business Development Consultant at 800.742.7950.

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