



The Art of Referrals for Financial Planning Services

**A great referral network can be a powerful driver
of revenue and client relationship support**



Avantax[®]

Tax planning providers and accounting professionals frequently field client questions about other financial planning needs. For these firms, referrals can be an important tool in their kit to get clients the assistance they need while also maintaining an important role in the relationship. Even for tax planners with expertise and broader financial services offerings, referrals may still be needed to fill in service gaps.

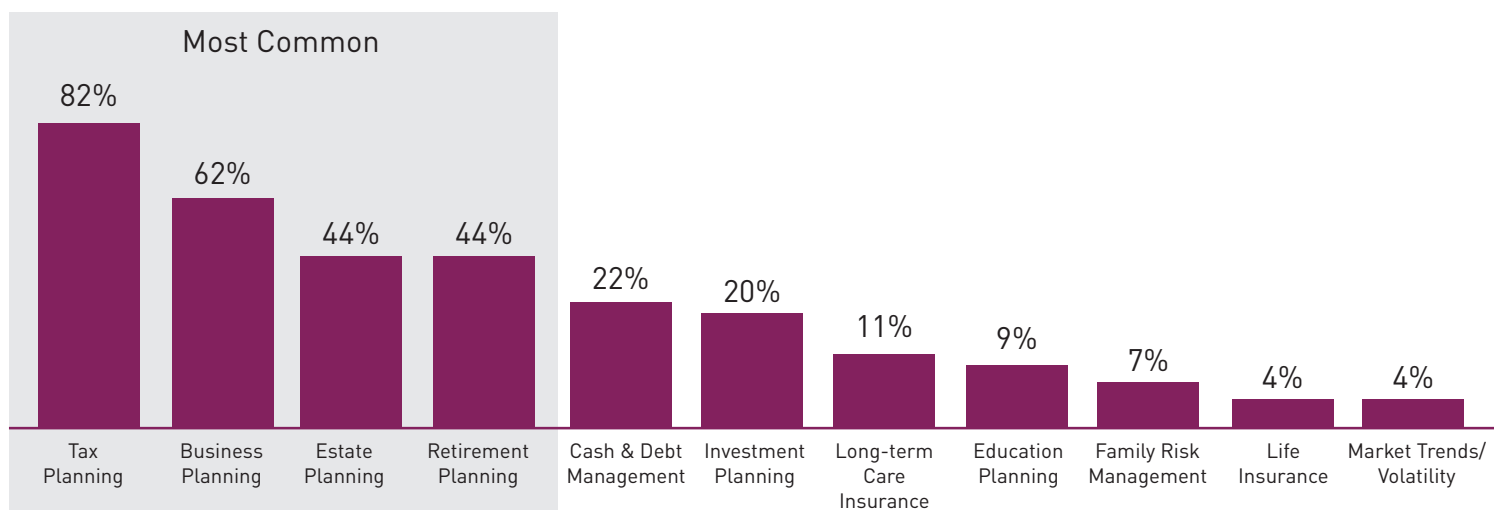
Building a referral network is about more than simply having a business card handy for any eventuality, however. A well-built network doesn't just help to retain clients. It also can be a way to drive revenue.

In a recent survey of tax professionals conducted by Arizent and Accounting Today on behalf of Avantax, respondents share the decisions and considerations they make with respect to offering and outsourcing financial planning services.

The case for referrals

The vast majority of tax planning firms report fielding client requests for other financial planning services, which speaks to the level of client interest and need (see Figure 1). To support these clients, 62% of tax-only professionals provide referrals to other advisors who offer dedicated financial planning services. Another 44% encourage their clients to research and choose financial planners on their own, but with this strategy comes a risk: Many firms that offer other financial planning services offer tax planning as well. A tax professional runs the chance of losing the relationship to a firm that is more of a one-stop shop.

Figure 1: Client Service Requests, Past 12 Months



Source: Arizent Research/Accounting Today, April 2021

When asked the one thing they wish they would have known before making financial planning services part of their firm, a partner at a \$10 million to \$20 million firm says, "More professionals to give referrals to my clients." The ability to refer a client to a dedicated planner can be the difference between retaining and losing that client, particularly when it comes to commonly provided services like business, estate and retirement planning.

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Choosing the right referral partners

Those who provide referrals overwhelmingly prefer partners who have a similar approach to client relationships (70%). Other attractive attributes include thought leaders for clients (40%), advanced technology and tools to service clients (33%) and training/resources (30%).

Possibly one of the most valuable ways to find potential referral partners is through a tax professional's current book of business. Valued clients who already use another financial services provider can offer insights into the level of expertise offered by their financial professional and whether they might be a good fit culturally. Networking and word of mouth can also be valuable tools but may require more vetting to make candidates are a good fit.

Once someone is identified, it can require almost the same due diligence as vetting a new employee if true alignment is the goal. How much experience do they have? Do they value the role taxes play in applying wealth management strategies? What does their customer experience look like and what do they value most in a client? How do they fit culturally? What are their goals for their practice? Is it possible to talk to clients about their level of service? These are some important questions to ask when vetting potential referral partners.

The key is to build partnerships that appear almost seamless from a client's perspective. The better the fit, the more clients feel like they are receiving holistic services from a coordinated team, regardless of whether or not that team operates out of the same office.

Creating mutually beneficial partnership agreements

For tax-only firms that don't offer financial planning services directly for a variety of reasons—too much business, time constraints and educational concerns—referrals offer a nice possible solution. A strong referral partnership allows these tax professionals to continue to focus on their core business, while also getting their clients the additional financial support they need. And they maintain their essential position as a trusted advisor.

Even for those in the process of adding financial services, referral partners can offer support to clients in the short term as well as fill the gap for services that aren't on the docket anytime soon. Additionally, tax professionals have the opportunity to work closely with other service providers to learn more about their industry and gauge client interest before potentially taking a bigger step and expanding their own practices.

Transforming referrals into a revenue stream

According to the data, when asked about their firm's preferred financial planning partnership or referral structure, tax professionals say they rarely use commissions or referral fees as incentives for potential partners. The vast majority (87%) prefer referral structures that result in a happy client.

In the grand scheme of things, delighted clients certainly bring a lot to the table from a revenue perspective. A carefully built and curated referral network can drive revenue by creating a win-win-win situation. Tax-only professionals offer more comprehensive value to their clients, while at the same time building trust by demonstrating that they understand the limits of what they are currently capable of—or interested in—providing. Referral partners gain additional revenue from high-quality clients, making it much more likely that they will reciprocate, referring their clients back to the tax professional when the need arises.

Meanwhile, clients are well served. A well-served client is generally a satisfied client, and a satisfied client is likely to refer others to both the tax and financial services professionals. That dynamic creates a virtual cycle of prospective new clients for both partners.

That does not mean an opportunity doesn't exist to potentially earn significant money for referring their clients. Tax professionals who refer clients to a Financial Consultant can earn 30% of the revenue generated from their clients' accounts when they are managed by Avantax.

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Methodology

Avantax partnered with Accounting Today/Financial Planning to understand the decisions and considerations tax professionals make with respect to offering financial planning services. The online survey was conducted in March and April 2021 among 101 tax professionals, 56 of whom work at firms that also offer financial planning services.

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 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.

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