PLANNING FOR THE FUTURE

By **KATHLEEN HOFFELDER, NJCPA CONTENT EDITOR**

When accounting professionals run the numbers on a business or a project, they really run them — double check, triple check and finally review with a partner or manager before engaging with clients. That kind of diligence can be found in corporate accounting too as CFOs and finance directors routinely mull over cost-saving practices and how to make departments more vertical before finalizing budgets.

Spreadsheets, Excel, software packages, the cloud and data analytics are all par for the course when reviewing clients' taxes or advising on streamlining businesses and clients' profitability. Analytics are used routinely today in financial reporting and preparing taxes, auditing, strategic planning or consulting, and even risk management.

But, increasingly, CPAs at the partner level are called to run the numbers on their own department's profitability or bring in new business. Preparing for the future of their own firm can be far more daunting to CPAs than planning for those of their clients'. They are likely to be less aware of how to handle the retirement of partners, keep the CPA pipeline alive and advance themselves up the ladder compared to preparing tax returns and reviewing regulations. From making themselves more marketable to succession planning for the firm, CPAs today need to not only adapt to changes in the accounting profession but learn to thrive in spite of them.

PLANNING FOR THE FUTURE OF YOUR BUSINESS

Whether accounting firms are contemplating how to handle succession transitions or build up their staff pipeline for the next year or next decade, partners and senior managers need to plan appropriately. Often it can be as simple as knowing what resources the firm currently has and figuring out where it wants to be headed in the coming years. How firms achieve that varies depending on how much emphasis each firm places on the task. Some sole practitioners may be considering a merger or acquisition in the near future, while other medium-size firms expect to grow specific niche areas. But regardless of size, they all need some plan for the future and steps to put in place for the next generation.

SUCCESSION PLANS

Robert Hopper, CPA, partner-in-charge of SAX's manufacturing and distribution practice, notes that there are lots of moving parts that need to be considered when planning for the future of an accounting firm. To narrow the approach, he suggests looking at succession plans in small steps. "My recommendation would be to plan

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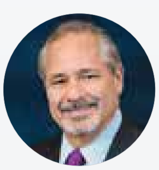

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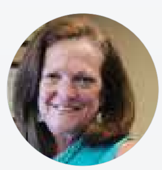

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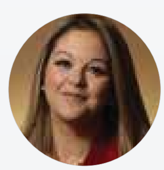

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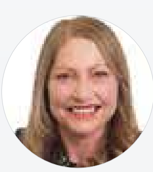
for what you want to achieve in five-year increments, and then evaluate and pivot direction where needed."

That kind of planning takes away some of the unknowns — whether a firm decides to stay with current staff in mind, plans new hires or some combination. "In the end, the success of your business lies in how you build your firm. If you wish to stay independent and strong, it is vital that you develop a vision for success and an exceptional team behind you that will see that vision through," says Hopper.

To others, like Mike Walsh, author and CEO of Tomorrow, an innovation research lab, succession planning works best when companies consider the work culture and how to adapt to change. Firm management, he says, needs to realize how to "embrace a culture of agility, responsiveness and innovation." Walsh notes, in general, that companies need to "move as quickly as their customers do."

RETIRING PARTNERS

Just the mere mention of a partner thinking about retirement can send shivers to everyone at a CPA firm — depending on how much business the person accounts for. As



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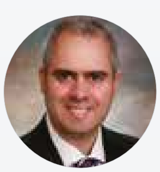

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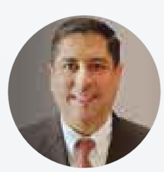

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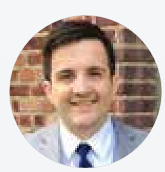

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Allan Koltin, CPA, CGMA, CEO of Koltin Consulting Group, Inc., puts it, how a firm handles retirement at the partner level can determine whether clients stay with a firm when the partner retires or whether they choose to move on. The latter decision can be disastrous for a firm.

"The number-one reason succession planning fails at firms starts with the retiring partner," says Koltin. "All we are asking for here is their help so we have a meaningful edge on the competition when they retire." Often partners overstep their bounds, he adds. "If that partner died tomorrow, the client wouldn't go out of business. They would find another CPA firm to do their work."

CPA firm partners, after all, are well paid. "We need to remind our retiring partners that the reason we pay them deferred compensation (goodwill) is for the legacy they leave behind (in this case, the client base)," he says. As Koltin asks, "Why do we allow this to happen and then add insult to injury by paying these partners deferred compensation?" Instead, he says, firms need to draw a hard line with retiring partners, and, at a minimum, add a penalty clause to the partnership agreement for poor behavior when a retiring partner doesn't do their part to properly transition clients.

Instituting penalties for the possible theft of partnership talent is not a pleasant thought but is, unfortunately, a reality. Koltin says too many partnership agreements are actually too vague when it comes to the non-solicit provisions. "Firms should have strict penalties for stealing talent (such as one times the departing employee's compensation) and better identify what services a retired partner can and can't provide to clients after they leave the firm." He says agreements often do not reference potential clients as possible assets of the firm, and these could fall under the non-solicit provision.

Eileen Monesson, principal of PRCounts, LLC, also sees retiring partners as a challenge, but not one that is insurmountable. She reminds accounting firms about the problems of having too much invested in one or two partners. To her, not enough planning goes into the retiring-partner problem. "I frequently hear managing partners express concern over the next generations of leaders. While I agree that it can be difficult to find someone who has the right mix of leadership, business development and technical skills, they do exist," she says.

Succession planning, according to Hopper, should be a top priority, along with figuring out compensation programs. "We were one of the first firms to establish pre-funding for our deferred compensation arrangements to offset the future buy-out of partners and eliminate an economic strain on the future generations," he says.

Developing the next tier of leaders is incredibly important, especially considering the number of senior partners who will be retiring soon and the amount of ownership that will be in transition as a result, notes the AICPA's 2016 CPA Firm Succession Management Report. "Firms should begin now to support staff development through training and cultural changes to develop a pipeline of future firm leaders."

MERGERS AND ACQUISITIONS

Even when a merger is the last thing on management's mind, it can often be the only solution to compete on a larger scale. If a firm is not open to growing a particular niche area on its own, a merger can provide valuable resources at a more efficient price. Having established clients and operations for family services or estate planning, for example, can often put a firm in the best position to grow, compared to putting out resources to start from scratch.

Rachael Anevski, M.A.O.B, PHR, SHRM-CP, founder and CEO of Matters of Management, sees mergers and acquisitions (M&A) as a logical prescription for many accounting firms looking to expand not only by practice but location. She says firms "need to dig deep to find out where you need to allocate resources — such as whether the firm should continue to develop from within or put more emphasis on acquisition and perhaps mergers." And when preparing for future consolidation, she reminds that firms need to make sure benefits span "more than just the here and now." As Anevski says, firms need to globalize benefits "to incorporate geography and multi-generational workforces."

Gail Rosen, CPA, shareholder at Wilkin & Guttenplan, P.C., recommends not over thinking when it comes to M&A. "The most important thing I learned was the value of merging now versus waiting. For me, Wilkin & Guttenplan was interested in all that Gail Rosen, CPA, PC, had to offer, which was me, my staff and my client base. Choosing to wait until a few years prior to retirement would have meant it was primarily my clients that I was selling."

For others like Hopper, sometimes alternatives to M&A work just as well. "Our firm never wanted to be in the position where we needed to merge or acquire in order to continue to exist. By building our own internal foundation for success, we have remained on the other side of mergers and acquisitions, and they are actually strategic moves that make sense to fulfill our growth initiatives."

STAFF PIPELINE

Hiring the most appropriate staff is both a challenge and a bright spot for today's accounting firms. But staffing becomes even more crucial when planning for the future. Management needs to evaluate staffing needs not just during busy season. Keeping the pipeline of CPAs going strong is a challenge for all size accounting firms, from the sole practitioner who needs to rethink the next couple of years to the mid-size firm that is planning to break into a new geographic region well into the next decade.

Anevski notes that in selecting the best candidates, "a best practice is to do a skills assessment for both current and future needs. From there you can draft your openings and future options based on promotion and retention rates."

Retaining staff is key to remaining competitive and growing a firm. As Dr. Sean Stein Smith, DBA, CPA, CMA, CGMA, CFE, assistant professor at Lehman College, explains, "firms and partners must continuously invest in both education and technology to remain competitive and attract millennial talent." The hard part, he says, is replacing the collective knowledge of the profession, setting up a succession planning methodology that makes sense for the firm or organization, and dealing with cross-generational workflow problems that can represent potential issues.

And keeping millennials, in particular, interested in accounting is important. As

Stein Smith notes, just to attract millennial talent, CPA firms need to remain current with modern technology and offer good benefits and education. "As millennials occupy a larger and more modern role in the profession, engaging in tactics and operations appealing to this demographic group should be a part of the succession planning process."

PLANNING FOR YOUR CLIENTS' FUTURES

It is perhaps more common to think about one's clients' future than one's own firm's future, but taking both succession plans into account is the key to longevity in this profession. Many clients have family relations to consider, diverse revenue streams or challenges in expanding by region or internationally. Today's accountants, therefore, need to be consultant, advisor and strategic planner — all rolled into one. They need to stay on top of the day-to-day tax, auditing or accounting needs for their clients and also help them figure out how they will maintain current operations and expand.

As Sylvia Zozulia, CPA, director at Citrin Cooperman, explains, "today's clients are seeking guidance to improve business operations, develop strategic plans, and evaluate industry trends and their potential effect on their business." Her firm expects its CPAs to focus on understanding clients' businesses and the industries in which they operate, else they are not meeting their clients' needs.

And that's not a simple task. Clients, sometimes, are not the easiest to deal with, nor are they prepared for the next few years, let alone retirement or beyond. According to the 2016 PCPS Succession Survey, a joint project between AICPA's Private Companies Practice Section (PCPS) and Succession Institute, showed that "comparable to the last survey, less than half of all firms have succession plans in place, although over 80 percent of the firms expect succession planning challenges in the next five years." The survey also noted that among many of the firms that do have plans in place, critical issues are not being addressed.

Staying ahead of clients' succession plans can be difficult. As Hopper notes, clients have to at least be open to the concept of succession planning before they start to plan. "One overall approach that we take with our clients is to get them in the mindset of 'always ready and prepared to sell their business.'" He asks, "Why do we do that? Think about it, when you finally make the decision to sell your home, what do you do? You compile a list of items to fix or replace that you should have done while you owned the home. This is the same for a business."

EXIT STRATEGIES

Even if clients are far from retiring, they should have an exit strategy in place for when they want to move on, sell the business or combine with another business when they leave. An exit strategy, according to Hopper, should be a "work in progress and never static depending on the status of the company and the ever-changing goals of leadership." The plans, he says, should be structured sooner, however, compared to waiting longer in order to secure the "intended future of the company."

So, how often should this evaluation take place? According to Hopper, exit strategies should be evaluated on a yearly basis. Owners need to consider, for example, if other family members or leaders can run the business or if there is enough financial wealth that the business can be transferred to others.

PLANNING FOR YOUR FUTURE

Accepting a job in accounting is only half the battle in becoming an accounting professional. Today's executives, whether CPAs or CPAs in training, need to be aware of their responsibilities within their firms at every level, client relationships and how to hold onto them, as well as how to market themselves to truly be successful.

As Salvatore A. Collemi, CPA, partner-in-charge of the professional standards group at Marks Paneth LLP, says, planning for your own future in this industry can be challenging but well worth it. Seasoned auditors and accountants, he says, need to learn, "how to get a client and how to retain one." Along with this is "how to network, meet influential people in the industry as well as potential clients and referral sources. We have to move away from the stereotype of being just a 'number cruncher.'"

Moving up the corporate ladder can be complicated if a new auditor or accountant does not understand CPA firm dynamics. Sole practitioners will have a different set of criteria for the "path to partnership" than a mid-sized company or the Big Four. Young professionals as well as more mature ones need to understand how to "sell their brand" in the firm in whatever position they are in and hope to aspire to. To Collemi, it's easiest to move up the corporate ladder if professionals not only make themselves marketable but understand exactly what their responsibilities are, what the quality control and risk management issues of the firm are and what standards the firm has laid out for its employees.

Younger auditors and accountants, to him, should always have their "elevator pitch" ready to sell themselves when they meet other colleagues and more senior executives, whether inside the office or out. "They need to develop their executive presence as well as the ability to influence people. How would someone describe them in three words?" he explains.

Marketing oneself can be extremely helpful, but to Guy P. Miller, CPA, partner at Citrin Cooperman, getting started on the right path to partnership means actually going back to the beginning and taking the CPA Exam. Many accounting students want to take a break after they get their bachelor's degree, he says, but if their goal is to be a CPA, they need to take the exam as quickly as possible after graduation. "Delaying will only cause you to lose that studying momentum you developed as a student, and — the longer you delay — your desire to get back into that mindframe will start to wane."

"Although it won't seem that way at the time, you will never be less busy in your career than you are after graduating; work responsibilities are at their lowest and, in most cases, so are your family responsibilities. Take a review class and dedicate a few months of nights and weekends to get it done — it will be worth it," he says.

"There are many entry-level accountants who go on to work in accounting departments, or, in some cases as controllers, but they don't take the time to get their credentials and become a pivotal player. It's that last bit of effort and drive that will set you apart from the rest of the entry-level accountants and get you further ahead in your career," adds Miller.

So what's the best way to start planning for one's future? At the beginning. In order to sit for the CPA Exam in New Jersey, an applicant has to first have a bachelor's degree with at least 24 hours in accounting and 24 hours in business. To ultimately obtain a CPA license, he or she needs a total of 150 semester hours from an accredited school and have one year of experience working under a CPA.

At the other end of the spectrum, Carmine D'Avino, CPA, principal and investment advisor at Withum Wealth Management, explains that for mature accounting professionals, planning for retirement should be a top priority. As he notes, "any plan is better than no plan at all, and putting off or ignoring how you'll fund the golden years could be the worst option. Saving for retirement should be a fixture in your budget and not easily dismissed in favor of other demands or wants."

Taking part in an employer's retirement plan, D'Avino adds, is crucial, and if there is a match to one's contribution, it's best to aim to contribute at least the amount eligible for the match. And if an employer does not offer a plan, there are several different types of individual retirement accounts to choose from. He believes accountants should also "consider a series of possible outcomes and use a range of estimates for the variables that will impact your retirement plan."

Spending, volatility of investment returns, taxes and inflation are all factors that will impact how well your goals are funded, he adds. "Even if you knew how long you would live and how much you would spend, it still would be extremely difficult, if not impossible, to estimate."

PLANNING FOR THE FUTURE OF THE CPA PROFESSION

Where is the profession going? Onward and upward, according to accounting organizations, firms and corporations alike. But, only if it collectively adapts to change — both technological and by skillset.

And what better way to adapt to new ways of performing accounting tasks than by becoming adept at new forms of technology or online ledgers, such as blockchain. As Stein Smith acknowledges, blockchain, along with artificial intelligence and other technical tools, need to be incorporated into higher-level courses. "While this will clearly be a process, and not a one-time event, being proactive and getting started are the best ways to incorporate these topics over time," he says.

Brian Fitz-Gerald, CPA, founder of Akseshen LLC, adds, "college curriculums should include a knowledge of computer programming across several languages, such as SQL and Python, and familiarity with business intelligence tools, such as the

Microsoft Power BI suite." To Fitz-Gerald, studying a wide breadth of technology, including online learning tools, enables an accountant to pick the most efficient tool to accomplish a task or analysis. "When you save yourself hours of work, you naturally build excitement and get hooked on learning to do more with programming," he says.

As Zozulia notes, "in a technology-driven world, CPAs are in a position to develop their skillset by adopting an industry-specific focus. While traditional responsibilities, such as tax return preparation and compilation of financial statements, will always exist, a CPA needs to be ready to serve as an advisor with a specialized proficiency within their clients' industry."

While demographics may prove to be a boon for young accounting graduates with Baby Boomers coming into retirement and needing professionals to replace them, other factors could prove more challenging for the future of the profession. According to *Accounting Today*'s June 2017 article, "Your Future in the Accounting Profession," automation and offshoring are big factors of change that will affect accountants. It explains that "cloud computing and other technologies will lead to greater automation of transactional data and compliance reports. It already has led to major cuts in accounting jobs."

"You will not be working in repetitive data processing. Instead, the accounting profession will become more and more a consulting profession. All of us will become advisory experts, using our professional judgment to help clients make better decisions," the article explains.

To take on a more advisory capacity when they eventually get into the profession, accounting students today need to have a better understanding of what it's like to work in public accounting firms or the corporate world, says Anevski. She explains that college accounting programs need to be altered to include more entrepreneurial coursework, sales classes, business development coursework and human resources that will be needed in various accounting roles.

Stein Smith agrees. "Educators and academics must ensure that the CPA pipeline remains viable and valuable to the marketplace by keeping abreast of these many changes. Integrating technological and broader business trends into educational activities is the only way to ensure that graduates have both the skills and the mindset to thrive and lead in such a rapidly transitioning business environment," he says.

Cathleen McQuillen, DPS, associate professor and director of Georgian Court University's accounting program, says only by hitting the books and going back to class will accountants be prepared for significant changes in financial reporting, for example. "GAAP (generally accepted accounting principles) is adapting to the demands of a global business environment, including IFRS (international financial reporting standards), and changes routinely are reflected in accounting textbooks with a comparison of the former approach to the new method of GAAP reporting. These changes are explained in detail in the classroom."

The classroom is also the best way to learn about new analytical approaches to accounting, she adds. "In classes which comprise accounting along with data analytics, new ways of doing accounting, taxes, auditing and business overall are studied including learning new software and web-based applications."

But even the classroom environment is changing. As AICPA's Horizons 2025 Report notes, "The internet and the growth of mobile technologies allow CPAs to engage in education whenever and wherever it is needed. Whereas in the past, CPAs often had to schedule classes in advance or order self-study manuals, today a CPA can identify a need and potentially immediately find a webcast, podcast or seminar available and participate without ever leaving his or her desk."

Still, some of that learning is lacking when it comes to auditing, in particular. Many more college classes focus on financial reporting compared to auditing, notes Collemi. "Typically, only one or two semesters are spent on auditing compared to tax and accounting. Universities are creating future financial reporting consultants, not auditors. Students need to be taught how to apply critical judgment, professional skepticism, independence and ethics, and how to deal with 'gray areas' in auditing, strengthen their analytical skills and have a true understanding of the industries in which their clients operate in and what an auditor's responsibilities are in protecting the public interest," he says.

Indeed, the technical side is not going away. While soft skills and learning to leverage social media are important, accounting knowledge must be supplemented by broader business knowledge encompassing finance, economics and technology, says the AICPA's CPA Horizon's 2025 report. "Increasing globalization will require CPAs to obtain more knowledge about the international marketplace. CPAs will also need to stay up-to-date on changing regulations and standards."

But the future looks positive. According to the Horizon report, "the entire profession — from sole practitioners to medium and large firm members to members in business and industry to those in government and academia — has a bright future and will need to respond quickly and competitively to the shifting ground on political, economic, social, technological and regulatory fronts."

Resources

- CPA Firm Succession Management Report, AICPA, bit.ly/CPAFirmSuccessionManagement
- 2016 PCPS Succession Survey, bit.ly/CPAFirmoftheFuture
- "Your Future in the Accounting Profession," *Accounting Today*, bit.ly/YourFutureinAccounting
- CPA Horizons 2025 Report, AICPA, bit.ly/CPAHorizon

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