



Transitioning from traditional accounting to Fee-Only planning

Joseph Smith of JAS Financial, LLC

Joseph Smith, CPA/PFS, JD, AEP, has always been good at recognizing issues, developing alternative approaches, and applying them to client situations. With his accounting and legal education and the skills he developed as an IRS field agent, a tax professional in national CPA firms, and his full-service CPA firm, he channeled his focus to Fee-Only financial planning and investment management, his true calling.

Smith established a full-service CPA firm in Cincinnati in 1998. Smith sold that entity in 2006 when he moved to the Chicago area. “I realized that I got the most pleasure when my financial planning clients thanked me for the work I was doing

for them,” recalls Smith, principal at JAS Financial Services, LLC, in Evanston, IL. “So I thought, ‘Okay, that’s what I’ll do.’”

That seemingly simple decision proved fortuitous for Smith, who opened the doors to his Fee-Only planning practice in 2009. He says the transition from public accounting to financial planning was fairly seamless, because he was already serving as a trusted fiduciary for his clients. And, he says his own frustration with the commission- and fee-based planning industry helped drive some of his passion for Fee-Only planning.

“As a CPA, I would send my clients to insurance or investment professionals for

help with their financial planning issues, and they kept coming back to me with advice (from the insurance/investment advisors) that didn’t meet their needs and ignored issues such as liquidity and taxes,” Smith says. “I realized I could do a better job of providing my clients with Fee-Only planning myself.”

Starting small

Initially, Smith incorporated financial planning into his existing accounting practice, which employed seven to 12 people at any given point. Smith managed the financial planning and investment management aspect of that practice on his own, with the help of one assistant.

Today, Smith heads up a solo practice and handles all of the planning for anywhere from 20 to 25 families at a time, plus another group of clients who come to him for occasional financial planning help and advice. For his investment management services, he manages about \$7.5 million. In addition, he provides investment advice services to many of the other families. Since founding his firm seven years ago, he’s altered his compensation model and has moved away from AUM and hourly fees.

“I’ll work by the hour if someone really wants me to, or if the services required cannot be clearly defined. At this point, nearly everything I do is on a fixed-fee basis,” says Smith, “even assets under management. That’s because my fees are based more on what I do for the client versus the amount of money that they have.”

Overcoming tech hurdles

When Joseph Smith thinks about the challenges he’s overcome to run successful financial businesses, he says technology has proven to be both a great facilitator and a major hurdle.

On one hand, he says he recently implemented a new CRM solution that provides him with more information and data on his clients. On the other, that same system is eating up more of his time. “Technology as a whole allows me to dig deeper, which is what people expect of me,” Smith says, “but it doesn’t always save me much time.”

He says the time and expense associated with buying, installing, and learning new software programs can be a burden for the solo practitioner. “None of the technology is cheap, and some of it comes with some pretty steep learning curves,” Smith points out. “In fact, the more flexible the programs are—and the more you can do with them—the more difficult they can be to learn.”

Finally, Smith says he’s discouraged by the lack of support on the software vendor side of the equation. In the past, companies offered telephone support for their products, but today, many now limit the user’s choices to basic FAQs online or email inquiries that go unanswered. “You send them an email these days, and you’re lucky to get a response that even correlates with your problem,” Smith says. “It’s not like it used to be.”

“You really ought to go Fee-Only”

Smith has been a NAPFA member since 2008. He was impressed by its members’ commitment to doing what was best for their clients. The common philosophy results in a nurturing community. This has grown as the member use of the online Engage community has expanded.

Looking back, Smith is glad he decided to restrict his services to Fee-Only financial planning and investment management. “More and more people have started offering Fee-Only services,” Smith says. He is concerned, however, about the number of insurance firms and other entities that are coming up with new products and new strategies for “hiding” their fees. He sees NAPFA as a beacon for consumers who need guidance and for the industry as a whole. “Even early on, NAPFA was one of the louder voices pushing the Financial Planning Association to strengthen its objectivity,” he said

Asked what NAPFA could be doing better as an organization, Smith says he’s happy to see that the group has improved its continuing education/CPE offerings, although he’d like to see more resources available on NAPFA’s website. “I’m a member of the American Institute of CPAs, and that group has really done a good job of expanding its online resources,” Smith says. “I think NAPFA could do the same by providing us with more web-based resources.”

A broad-based approach

As a provider of broad-based financial planning, Smith says he works primarily with clients who want an objective, independent planner who doesn’t want to sell them anything. “I do not want to sell anything to anyone. I guide my clients by providing information that is relevant to them and help them understand the pros and cons of the available alternatives. As a result, most of the people I work with want an objective, independent planner who is going to say things that they’re not always going to like.”

Smith also works with individuals who are going through life transitions (e.g., buying a home or starting a new job) and those who are at or near retirement. He’s

JAS Financial, LLC, At a Glance

Location: Evanston, IL

Website: jasfinancialllc.com

Year founded: 2009

Number of staff: N/A

Number of clients: 25

Amount of money managed: \$7.5 million

Description of typical clients: Individuals in their mid-50s who are either at or near retirement, or who need support on specific, life-changing matters.

Typical client needs: Broad-based financial planning or retirement planning.

Favorite financial planning website: Advisor Perspective

Favorite non-financial planning website: eMoney

Piece of advice to fellow NAPFA members: “I’m not sure that I want to put myself in a position of telling other people how to do what they’re doing. Every one of us approaches the business a little differently. However, I think my advice would be to decide what you want to do and make sure it’s something you enjoy. The ‘thank you’ I get for a financial planning is more meaningful than when I used to beat up the IRS and save clients lots of money and they’d say, ‘Why did it take so long?’ Here, even if you can’t tell them what they want to hear, at least you can give them a couple of ideas that they can use to change and/or better themselves.”

been getting more calls from younger, millennial prospects lately, but he says most aren’t quite ready to jump into broad-based financial planning. “They’re fairly fee-conscious,” he notes, “and it’s difficult to meet their needs for the couple of hundred dollars that they want to spend.”

When investing his clients’ assets, Smith uses mainly ETFs and mutual funds with institutional shares. And because he customizes portfolios to match his clients’ needs, Smith says he avoids using the “model portfolios” provided by the financial software companies. “I don’t have a single model portfolio that I use for more than two clients,” he explains, “and that drives some of the software companies crazy.”

More to come

Since his early career with the IRS, Smith has participated in numerous radio appearances and public presentations.

“When I was in Cincinnati, I was on the radio almost every week,” he says. These activities increased in Columbus when he was active in the local and state CPA societies. “I find that I have less time for those types of activities now, but I really enjoyed them.”

Going forward, Smith plans to stay a solo practitioner who is focused on providing broad-based financial planning to a group of clients who don’t want to be pitched on product or service sales. He’s enthused by the positive momentum that he’s generated thus far, and he is looking forward to earning more referrals in the future. “Much like what happened with my CPA firm, I’m in a position now where when I help someone, that person goes and tells someone else about the positive experience,” he says. “I can’t take on too many new clients at once—four is my limit at any given time—but I do anticipate more organic growth over the coming year.” 