

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>



Full Episode Transcript

With Your Host

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Maddy Roche

Narrator: [00:00:01] Join your host, Maddy Roche, as she brings you into a community of fee-only financial advisers who are successfully building profitable businesses that serve the next generation of clients. Learn from innovative advisers whose unique stories will inspire you to dream big and take action on your goals. Are you ready to live your best life and help your clients live theirs? Then you're in the right place.

Maddy Roche: [00:00:24] Hello and welcome to this episode of #XYPNRadio. I'm Maddy Roche your host. I'm excited to have Emily Purdon, the Director of XY Tax Solutions, and Sara Williams, Operations Specialist XYTS on the show with me today. Although we've had a number of advisers on the show over the years, discuss what it's like to run both an RIA and a tax prep firm simultaneously. Today, we're going to dive into what it's like to roll and outsource tax prep service under an RIA, specifically how you can leverage experts to deliver great client experience and how outsourcing can help you stay sane as you scale your firm. Today, Emily and Sara talk to listeners about the compliance concerns related to offering outsource tax prep and the pricing considerations when offering the service. They even give advice on how to ensure that you're outsourcing at the right time, generally speaking. Be sure to check out the three new options for engaging with XYTS for this upcoming tax season. Because this year, XYTS is preparing to complete over two thousand tax returns and they already have seven hundred secured. If you're interested in what it's like to outsource tax prep in your RIA, then this show is for you.

Maddy Roche: [00:01:36] Avocado toast, selfies, a mountain of student loan debt, Gen Y is anything but traditional and with over seventy five

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

million people, it's a population you don't want to ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy.

Maddy Roche: [00:02:08] You can find any of the resources we mentioned during the episode at XYPlanningNetwork.com/277. Also, be sure to go to XYPlanningNetwork.com/VIP to join a private group just for #XYPNRadio listeners. It's a community of advisors we've all been looking for that's there to provide support when we need it the most. Best of all, it's free. I encourage you to check it out. Again, that's XYPlanningNetwork.com/VIP. Without further ado, here's my interview with Emily and Sara.

[00:02:36] --swish--

Maddy Roche: [00:02:36] Hello, Sara and Emily, welcome to #XYPNRadio.

Sara Williams: [00:02:42] Hello, nice to be on.

Emily Purdon: [00:02:45] Thanks for having us.

Maddy Roche: [00:02:46] I'm really looking forward to this conversation and I'm looking forward to our listeners to learn a little bit more about the

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

faces and personalities behind one of our newest business lines, XY Tax Solutions. Emily, why don't you start us off? You have been on #XYPNRadio before and even just in the past six months or so. Go ahead and just give us a little synopsis of your background in your current role, please.

Emily Purdon: [00:03:10] Absolutely. So I joined XY Tax Solutions in July. I am now the Director, which was a wonderful opportunity. I transitioned away from the Financial Planning and Process Coach role that I worked with members for a little over a year, just helping them on planning, process, tech decisions as they start running, grow their businesses.

Sara Williams: [00:03:32] Wonderful. And Sara, this is your first time on #XYPNRadio, so I want to give you a chance to introduce yourself and your background to our listeners.

Sara Williams: [00:03:40] Yeah, definitely. So some background, I joined XY Tax Solutions full time with Emily as the Operations Specialist back in July. But before that, I was a little more of a facing role with with XY Planning Network as a Member Experience Specialist. And I specialized in the building and scaling members and just helping them through that firm journey. So that was a great opportunity. And then I did some onboarding work for XY Tax Solutions from February, notice some areas of improvement and just started really cranking and rollin there. So that's then just the awesome journey that I've had so far.

Maddy Roche: [00:04:24] Awesome. Sara and Emily are great examples of teammates that start in one department and find themselves in a

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

different department doing really important and impressive work. So let's get down and dirty and learn a little bit about what you all have built at XY Tax Solutions. Emily, you want to start us off with just kind of giving us a high level overview of XYTS?

Emily Purdon: [00:04:42] XYTS launched in fall 2019 and we had a really good tax season. We prepared just over three hundred tax returns for individuals, businesses and trusts. And so now we're just looking on ways to improve. So we've had member feedback calls, which I'll let Sara chat about and really just making technology decisions, process improvements to really focus on ultimately the client experience.

Maddy Roche: [00:05:11] Awesome. Sara, anything to add to that?

Sara Williams: [00:05:13] Yeah, definitely so I will continue the conversation about the client experience because I feel like that's not something that a lot of advisers and and clients even know about when they're working with XY Tax Solutions. It's more than just tax preparation and tax planning, but also the experience that you will have with working with-with an outside CPA and just knowing that you're going to be working with a trusted individual who knows exactly what the tax rules are and follows the tax laws on a very, I don't even know how to say this, but on a very granular and specific basis. So it's building XY Tax Solutions. We're trying to focus on just that feeling of relief and not being stressed about the taxes that usually people feel that that dread, at least that I feel when it comes to taxes.

Maddy Roche: [00:06:13] Emily, go for it.

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:06:15] I'd love to build on that and say I think what really makes XYTS unique is we're affiliated with XY Planning Network. We are a service line, and as a result, we're very tuned in to what fee-only financial advisors need and expect. And so as a result, I think we can deliver a really unique experience for our advisors and then, of course, ultimately their clients.

Maddy Roche: [00:06:40] Wonderful. One of the things I always brag about to members in terms of utilizing our built-in resources, but especially coaches and now business lines, is that you can go out and hire any business coach you want. But ultimately here at XYPN, we have a business coach that is explicitly and completely dedicated to the RIA space. And I think that's really what you're talking about, is that we now have a team of XYPN teammates running this outsourced or opportunity for our advisors coming from that-that institutional knowledge of what it means to be in RIA space.

Emily Purdon: [00:07:13] Absolutely. And such a once at once again, a wonderful opportunity that Alan presented back in the day. I was a fee-only financial advisor and I worked at a large RIA where I did prepare taxes. So I prepared, you know, 50 to 70 tax returns every season for four years. So I feel that I know what I would expect if I were an advisor hiring XYTS. So I am trying my hardest and our team is trying to build a really unique service model that propels our members forward.

Maddy Roche: [00:07:49] Absolutely. Well, I really am interested and it's a question that I even have having been here is, is a number of years I have been with the team, I'm still a little confused about really what does it mean

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

to offer tax planning and tax prep in a firm? And why is it always such a central conversation for advisors? Emily, can you shine some light on that?

Emily Purdon: [00:08:10] Absolutely, so our core service is tax prep, and in reality, before just last year even, tax prep as an outsourced solution wasn't really in existence. So it's really new. It's new to us. It's new to our advisors. It's new to clients. And so what we're trying to build here is a tax prep service line that's supplemented by tax planning. Our CPAs once again, are really well versed in what our advisors need and expect from us. And so by supplementing tax planning, we're able to further that relationship, build a trust based relationship and really support their needs as the adviser, because ultimately, XYTS gives a ton of flexibility to our members in terms of how they want to use us for tax prep and tax planning. And we can dive a little bit more into that now if Sara wants to.

Maddy Roche: [00:09:05] Yeah, Sara let's paint the picture. What is tax planning and what is tax prep and are they different?

Sara Williams: [00:09:13] Yes, they are, one hundred percent. So in a span of a year, I'm just going to give that whole timeline. There is a singular event that everybody in at least the United States context has to deal with, and that is preparing their tax returns for the IRS. So that is what tax preparation is. And then tax planning is that ongoing conversation of how to walk that fine line between minimizing the amount of taxes that you're due to pay to the IRS versus how to maximize the tax savings. So that's the the main difference between preparation and planning.

Maddy Roche: [00:09:56] Emily, do you have anything to add to that?

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:09:58] Yeah, I think that-that's a really clear description, keeping in mind a majority of our advisors are leveraging our tax prep. So really preparing for that April 15th deadline for individual returns as our core competency. But throughout the rest of the year, they're still holding meetings with their clients quarterly, semi-annual, in some cases, annual meetings. And what a great way to leverage a CPA. It's a CPA on your team type of service. So if you would like one of our senior tax managers to sit in with you and discuss tax planning opportunities to, like Sara said, really maximize tax savings, that's-that's available all year round. So it's something we're really trying to build, the process behind it and really promote it so our members can leverage it going forward.

Maddy Roche: [00:10:48] Sure. So we're in the business of helping advisors start RIA and-and be great financial planners. And so I'm wondering, how does an advisor who's hoping to run an RIA incorporate this into their business?

Sara Williams: [00:11:03] Yeah, as Emily was saying, this being able to have a CPA and leverage their their knowledge because they are keeping up with the tax laws so that as an adviser, you can always lean on someone else for that kind of support and just incorporating it into their businesses. You can again invite your CPA so that they are part of the conversation with the client so that all of the tax questions are properly addressed and the tax concerns as well. So that's definitely one way.

Emily Purdon: [00:11:34] I would say with a network of really unique advisers, we know that a one size fits all approach doesn't work. So our tax team is really working hard behind the scenes to ensure that our advisors

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

have the flexibility they need to better serve their clients. So now, given this is our kind of 2.0 advisors are able to choose how to engage with XYTS and how to build their clients based on their firm's individual needs. And I think it would be a really good time for us to explore those options.

Maddy Roche: [00:12:05] Yeah, well, run with it, Emily. I'd love to hear.

Emily Purdon: [00:12:07] Yeah, absolutely. So we did recently revamp our website just to kind of once again increase the clarity into our service model. So all of that's available and we can post those in the show notes. But the engagement really the advisors have three choices. They can choose to be involved, which is the integrated approach. They can choose not to be involved, which is the client-only approach, or they can choose to kind of put up a wall between XYTS and their client and choose the advisor-only option. And I'll let Sara talk a little bit more about those.

Sara Williams: [00:12:42] Yeah, so in the past tax season, we realized that there, like Emily was saying, just not that one size fits all approach. And so with integrated, you have some advisors who want to still be part of the conversation, but just might not have the capacity or the time to really be the advocate and be that central force for clients. So having that integrated approach means that you can still be cc'd the emails, read everything that's going on, and understand just the context of why our CPAs are reaching out to clients or what we specifically need and have that ability to advocate. But you can still let the client dictate the conversation, so that's integrated. And then client-only is, as it suggests, just the client only being part of the conversation with XYTS. But what's really interesting about this third approach, the advisor-only, is that there is full control that the advisor has and the advocates see that they can have for their clients and being able to

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

really be a part of just how can we serve their clients best, and that is just so interesting to see and to offer to financial advisers who want, really, they're their clients best interests at heart.

Emily Purdon: [00:14:09] And I think it would be worth noting Maddy, because I'm sure we have people listening that would like to know or kind of have a peek behind the curtain. I would say about eighty five percent of our advisors choose that integrated option. It gives them access to the secure client portal. Like Sara said, they are very much involved in the relationship in the sense of having a pulse on what's going on, but there's no actual responsibility. We don't expect you to do things on behalf of your client, but you're welcome to and you're set up to. About 10 percent choose that client-only option. And that's really if you have family or friends and you want to get them into XYTS, you just sign them up and we work directly with them. It also works for advisors that are interested, maybe they-they pursue a segmentation. So ABC clients, sometimes our advisors will send their C clients, client-only but integrated for their A and B clients. They're more high touch focused relationships and then five percent fall in that last camp, that advisor-only. We've had some confusion in the past over what white labeled tax solutions really is. And as we know now, XYTS is an outsourced tax solution. But that advisor-only option will get you much closer to the sense of white labeling because we work with you and you ultimately communicate with your client as you see fit.

Maddy Roche: [00:15:30] And I'm wondering in the scenarios where the client does work with XYTS, how does how does an adviser talk about that and kind of lay the foundation that they will be outsourcing this part of it without undermining their expertise as a-as a great adviser, Emily?

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:15:45] Absolutely. So what's happening more and more, as there is, I think, an understanding among consumers around what financial planning is, ultimately will have a lot of our members say, oh, this client came to me and wanted me to prepare their taxes, but they aren't CPAs and they aren't EAs and they don't plan on becoming either of those. And so what they'd like to do is they say, oh, well, you know, I'm actually not an accountant, but I have this great relationship with a dedicated team of CPAs who will work closely with you, whom I trust, who I'm-I have a sense of kind of how their process works. I've had conversations with them and they can feel confident and ultimately referring just like advisers do day in and day out with COIs or centers of influence. It's a very traditional way to kind of arrange a referral.

Maddy Roche: [00:16:39] Wonderful. That's really helpful. I hear most often, though, advisers creating separate business entities to have a tax prep and tax planning firm. Can-can you talk a little bit about that, Emily, and the decision between the two?

Emily Purdon: [00:16:54] Yes, so our members talk about this all the time on the member forums, even in the VIP community, there's a lot of different ways to go about it. So I've seen advisors that start their fee-only RIA and then start a tax practice underneath. I've also seen advisers from day one set up a tax practice and a fee-only RIA as two separate entities. My experience, I'm hearing that more in terms of what I'm reading also on the forums, I think our advisers tend to operate to separate practices. And then of course, we have accountants, members or just out in the world that do financial planning under their tax practice. So there's a ton of different combinations here. But like I said, a lot of our members do this kind of dual practice where they operate their tax practice, they do tax prep, tax planning, they refer to their financial planning practice and vice versa to

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

ultimately serve their clients, but keep their businesses separate for the many different benefits and ease of, I think, administration.

Maddy Roche: [00:17:58] Absolutely great point, I'm interested in the concept of outsourcing generally because it XYPN we really encourage advisers to outsource early on and with different parts of their business. I'll often go back to kind of that-that matrix of what you're good at, bad at, what you love and what you don't love and trying to discern what what is it that you really do want to be spending your time on doing. And I'm wondering, Emily, any advice for folks on how to kind of digest the fact that they will be outsourcing portions of their business and that it's not a reflection of their ability to be good business owners? In fact, we believe it's the opposite.

Emily Purdon: [00:18:33] Yes, I think we've seen a lot of our members reach success. However, they're defining that, reach success a bit faster and more efficiently when you're willing to outsource and you don't need to outsource everything. And like Maddy said, it kind of comes down to that matrix. So what I recommend when you join XY, you're going to have a lot of different options immediately. Outsourcing your compliance, outsourcing your investments. Right. You can work with a tamp. You have a lot of options that might not work for everyone. And so I would say perhaps you're a financial planner, but maybe you're also a CFA or you come from a broker dealer where you had a lot of investment management experience. You're probably not going to use XY, XYIS unless for whatever reason, you're really trying to shift the focus of your business to financial planning and as a result, need some time. It ultimately comes down to time, capacity and of course, what you're good at and what you enjoy doing, because if you don't enjoy doing it, there's no reason in this current, I think, industry to hold onto it. You can hire a paraplanner, you can hire a graphic designer. I

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

mean, truly, there are so many options and you just need to be in touch with, I think, your truth and what keeps you going every day.

Maddy Roche: [00:19:54] Wow. Really good points. Okay, Sara, let's start off with if an advisor wanted to do this, wanted to offer tax prep in their business, how do you coach advisors to begin incorporating that?

Sara Williams: [00:20:08] Yeah, so I think that the-the start of this is just like really nailing down what exactly you want as far as the experience goes for-for your clients and figuring out that engagement type that you want. So if you want to have the more hands on approach and want to be in control of the conversation, then you would go into advisor-only engagement type. And then once you nail that and hone that down, you'll start to think about the compliance piece of that, too. So there are those concerns and we can talk about that as well. But you'll want to get all of the ducks in the row for-for that. So update your ADV and start thinking about client agreements. Any addendums that you'll have to start start drafting, things of that nature. And then once you're ready from that standpoint, you can engage with XYTS just through our initiation form, which can be found on our website. Or if you're a member, weekly update emails tend to have the have the link there so that will be a great part or a start to the conversation. But if you're still not sure exactly what it looks like to work with an outside or outsource tax preparation service, then we will always have a conversation with you. And we love just driving with advisors and with members and talking to people about what that will specifically look like, what the fees will look like, the pricing schedule for you, how exactly this is going to benefit your clients just so that you as an advisor have this so well integrated in your system that you don't have to really worry about it.

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:21:49] And I'd love to add to that that Sara and I actually wrote a blog last month called Outsourcing Tax Services As a Financial Adviser: Working Less to Achieve More. And we cover the benefits of outsourcing the different roles that you can play, how to charge an industry trend. So if you're looking for a little bit more information to complement this podcast, I definitely check that out as well.

Maddy Roche: [00:22:15] Awesome. Great pieces of advice. I'm wondering, Sara, you mentioned compliance and any time the word compliance comes up, people's ears perked up. -

Sara Williams: [00:22:24] Yes

Maddy Roche: [00:22:24] - they want to avoid the task at hand or there's- there's reasons to believe that there might be bigger things to dive into. I guess paints a picture of what is it? What-what are the compliance responsibilities when you offer something like this and outsource a part of your business?

Sara Williams: [00:22:40] Yeah, I think that going even taking a high level view of what compliance is there for, it's just to make sure that the clients are really like their best interest is at the forefront of advisers minds. So this is no different, this compliance piece, when working with an outsourced service and for XYTS specifically because there are these different engagement types, we also have two billing options that we incorporated this year and that we're launching to. So there's the advisor build and then there's client direct. So with advisor build that you, as the advisor get that final invoice, pay that deposit, and then with the client build, it's the tables

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

are switched. Right. So the client is going to be is going to get the invoice. And it's important to disclose that and make sure that the client understands exactly what it, what they're agreeing to. So that is what the compliance piece is for. And Emily and I are currently working with Travis Johnson just on how exactly to update your ADV and have that proper language so that your clients know and it's very clear exactly what they're agreeing to and what it's like to work with an outsourced tax, tax firm.

Maddy Roche: [00:24:02] Emily, any comments on that?

Emily Purdon: [00:24:04] Yeah, I'd love to give a huge shout out to Travis Johnson, Director of Compliance, because to be honest with you, we couldn't really do this without him. We've had a lot of meetings with him over the past few weeks. Our ultimate goal and something that should be coming out next-next month is our kind of compliance QuickStart guide. Now that Sara and I have gotten very clear on these engagement options and billing options for XYTS, we're working really closely with Travis and his team to build a guide for those that enjoy kind of a DIY approach, but that he'll also use to train up his team. To be very clear on when an advisor says integrated advisor build, what does that really mean and how can we make sure that the ADV is as clear as possible.

Sara Williams: [00:24:51] Yeah, and I just want to add that in general, as far as compliance goes, Kingston's podcast is just such a breathe of fresh air because it really paints the picture as far as what regulators are-are looking for and what their purpose is. And it's not to nit pick and and be this kind of like looming force over your-over your firm and just making you feel anxious at every turn. But it is there to to make sure that you're doing best by your clients again. So just knowing that we as well have that at the

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

forefront of our mind for for you is going to be just so important and just such a stress relief.

Maddy Roche: [00:25:35] Awesome, wonderful. Emily, go for it.

Emily Purdon: [00:25:37] Yeah, I was going to say compliance comes up on my sales calls and my member calls all the time. And I know Sara gets a lot of questions over email as well. So it's something we want to make this as easy as possible. So we're trying to think through all of the different options and variations because as a reminder, how you engage with XYTS is on a per return basis. So you can do a combination of a few of the engagement options and a combination of a few of the billing options. So that can really complicate some of that compliance work, which is why, once again, we're working very closely with Travis to make sure that you all have the tools, our members have the tools to ultimately be successful.

Maddy Roche: [00:26:19] Emily, I'm interested. You and Sara both wrote such a good blog recently about XY Tax Solutions and just offering this service generally. I'm interested you discuss the misconceptions with it. And I think most advisors have some misconceptions about nearly everything they could offer. And so let's address some of those. You want to talk through that?

Emily Purdon: [00:26:40] Yeah, absolutely. So our core service is tax prep, which I think I alluded to earlier in the podcast. The idea is this year we're really expanding the tax planning or tax consulting program. So that's our new ad for this upcoming tax season. And a misconception, unfortunately, is around bookkeeping. And so a lot of our advisors do ask

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

because a lot of traditional accounting firms do provide a bookkeeping service. We are fortunate enough to have FABC available for our advisors who need bookkeeping. But ultimately, if their clients need bookkeeping, that's where we don't have a current solution, but perhaps for our future tax season that would be a service that I'm looking at expanding because I am getting enough questions around it and it does seem like an important part of our business model. So more to come on that in the future, but not unfortunately for this upcoming tax season.

Maddy Roche: [00:27:39] Great. Sara, anything to add to that?

Sara Williams: [00:27:41] Yeah, I think that one of the other misconceptions and again, this is just from our learnings as far as last tax season goes, is just the the timing of our CPAs and just their own capacity. So we do have firm deadlines as far as just getting tax documents to or from your clients or from yourself as an adviser. If you're utilizing the service to and with that said, April 15th is typically like or not, typically it is that firm deadline that we have to either e-file the tax returns or at least put it on extension. And the misconception here is that as long as you get your tax documents to us prior to that deadline date, then we'll be able to e-file them. That's really not the case, unfortunately. And we do have to have enough room for-for tax documents to-to get to our team and at least prior at least two weeks before, so that we know definitively that we will be able to complete and e-file the returns on time. Otherwise it will just be on extension.

Maddy Roche: [00:28:55] Awesome. Any other misconceptions Emily you want to address?

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:28:58] Yeah, Sara and I worked hard to add an FAQ section to our website because we do hear the same questions. And I think a misconception is that there's a minimum or a maximum number of returns that you have to have to engage with XYTS. And that's not true. We work with a lot of advisors that send us one return. It could be a personal return or a client's return and then advisors that send us well over one hundred. So I would say don't feel like there are constraints there. Ultimately, we want it to be worth your time and worth your engagement. So if you're interested, definitely reach out to the team because we can be flexible in terms of the number of returns that we take on from your book of business.

Maddy Roche: [00:29:41] Great advice. I'm wondering, time is something that I've joked on the podcast and I'm on the new member welcome call. But the most requested member benefit is more time in the day. And I'm wondering, how does this play into that? Emily, how do you coach around kind of time allocation and when does it become worth it for an advisor to outsource something like this?

Emily Purdon: [00:30:01] Yeah, it's so hard because our advisors are really different. Some would like to be highly efficient and 10 hours a week, others are worth, you know they find it worth putting 60 hours a week in. And so maximizing the time that you are able to dedicate to your business is important. And sometimes it can be a bit confusing when you're comparing to members in your study group or members in the network. So know yourself and know how many hours you are willing to or able to dedicate. And then from there, once again deciding what your highest and best use is. If you're strapped for time, usually it's because you're not outsourcing or delegating appropriately. It ultimately comes down to that. And whether you want to delegate to a 1099 contractor or delegate to a full time hire, that's your choice. And ultimately something that, if you're stuck

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

on, would be great to run by our Executive Business Coach, Arlene, because she can help coach you through that. But realizing outsourcing tax during tax season, you won't be spending 40 hours a week prepping returns anymore. Our team will prep them. So maybe you dedicate an hour or two to review every week or conversations with your clients, but all of a sudden you have a lot more hours in your week than you did before.

Maddy Roche: [00:31:21] Wonderful, Sara, any comments on that?

Sara Williams: [00:31:24] Yeah, and oh, my gosh, I think that with with COVID, this has been extremely prevalent in our-in our everyday lives. And it's just all of the different personal stuff that we have to deal with. And just the stress of the world that now we're forced to live in and encounter time is even more precious and just a delicate commodity that we have to address. And one of the things that I've been working on myself just in the personal development is how to really properly take care of my own mental health. And one of those components is just the time that I am allocating to my-my own work and my own professional development and all of these certifications that we're looking at, just everything that comes that just piles up. And you don't even realize that the stress is-is there and lurking. And one of the awesome things about XYPN is our-is our core values and be well being you is one of them. And so with that, it's analyzing that time and that space and allowing yourself to breathe. That is why outsourcing can be just such a great tool for you to use, so when you're considering your time. Yes, think about all of the business development that you could be doing, all the process work, the efficiencies there, but then also take some time to think about yourself and what you need, what your family needs, what your friends need, everything so that you can just be-be there and show up ultimately for yourself and for your clients to.

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Maddy Roche: [00:33:09] Great pieces of advice. Emily. Any other comments on that?

Emily Purdon: [00:33:13] Yes, Sara reminded me of just some of my coaching work I did with members. It's kind of a hard lesson. And I'm going to do my best to position it in the kindest way and the most helpful way for our listeners, which is when you launch a business, there's a lot of stress on you, arguably more than you've been used to or had in the past. As a result, you might be taking on busy work. And what I mean by that is really hyper focusing on compliance or hyper focusing on your website, your marketing, your messaging, to the extent where you don't actually take your first business development opportunity for six, nine, 12 months. And some of that comes from a place of fear rather than a place of truth. And I would just like our advisors to know that there are a lot of ways to engage in our community and a lot of ways to stay busy. But sometimes we stay busy out of fear of failure. And so just be really in touch with how you're spending your time, why you're spending that time the way that you are, and realize that at the end of the day, you're trying to grow a business, which means you're going to have to start taking sales calls. And if you're feeling uncomfortable or nervous, it's completely natural but our Sales Coach BB Webb can really help coach through with the new six step sales process that she built. So please do check that out. If you feel like what I just said resonates with you.

Maddy Roche: [00:34:39] Totally. What you just said resonates with me Emily. It's very easy to keep yourself busy thinking you're doing work, but you really have to think about what is moving the needle forward into Sara's point, what is keeping me healthy and sane, because spending a bunch of time on things I'm not good at and I don't love and I'm stressed out by is is not going to do myself or my clients any favors. So great advice

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

all around. I've heard over and over and I know our listeners have heard it over and over, especially with the advisors that do have that separate business. They use tax conversations to sell their financial planning services. Can you talk about that, please Emily?

Emily Purdon: [00:35:16] Absolutely, our financial advisers and the network and a lot of the people listening right now, their comprehensive financial planners, they're well versed in tax planning. They might not be able to sign a tax return and really do tax prep, but they're very well skilled in facilitating those conversations. So it's a very natural progression to refer out to a COI, center of influence, perhaps a CPA friend in your community. But what I really like to encourage our members to think about is we're a virtual world now. And so as you take clients across the country versus maybe just perhaps in your town, you're you'll have a network of your 40 clients will have 40 different CPAs. And as a result, there's some communication challenges that result from that. So if you're really trying to stay engaged in that process and advocate for your client, a really good way is to outsource to XYTS because you will have a dedicated team, a senior tax manager, a tax manager, a tax specialist who knows you, how you do business and who you work with. And you only have to communicate with that one team going forward, which will ultimately also save you time.

Maddy Roche: [00:36:34] Beautiful. I'm also wondering about how to price these services, niching and pricing are the two themes that advisers just want to talk about and talk about. How do you advise advisers to price this service?

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Emily Purdon: [00:36:51] Yes, Sara and I will definitely split this. We've seen a little bit of everything. My favorite way is if you are operating with a subscription, it's just to roll it in full that cost of tax prep into your existing financial cleaning service offering. So if you're charging two hundred dollars a month, perhaps now you charge two hundred and fifty dollars a month and that extra fifty dollars over the course of the year will give you six hundred dollars in revenue that you didn't have before. And come tax time, your client doesn't have to actually pay a tax preparer, which from a behavioral standpoint is a huge advantage. And so I like the idea of rolling it into subscription. There are a few other options which I'll let Sara talk a little bit more about.

Sara Williams: [00:37:39] Yeah, so one of our other things that we like to consider is whether it's investment management or not. So there is the absorb fee option as well, where advisers just choose not to even fold it into their subscription or anything like that. If you're paying on a A1 basis, then you might just want to or if you're billing your clients on an A1 basis, then you just want to cover the cost because you're already getting paid in some capacity and you want to make this an add-on. And this also goes into the stickiness factor as far as the as far as your other service offerings go within the firm.

Emily Purdon: [00:38:21] Yeah, and that AUM option, if you are a billing through AUM perhaps your competitor down the street is not also offering tax prep. So you become a one stop shop, you're doing investment management, you're doing financial planning, and now you're doing tax prep, even perhaps adding tax planning with the CPA. That can really help set you apart. In addition to the benefits of the stickiness factor that Sara talked about. And there is also a third option, which is kind of passing the fee through. Once again, white labeling or the concept of white labeling is

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

really important to you. We have the option where XYTS will invoice you as the advisor and you just pass that cost right along through your own billing methods. A lot of our advisors use AdvicePay and then you just pass that through to your client to really help position you as that kind of central point of contact. And a lot of our advisors like that idea because once again, it helps promote kind of their service and their value add. And so that pass through fee option is that third billing option we see a lot. And there's also a fourth option, which is the convenience fee. So, for example, an individual return, at XYTS costs three hundred and twenty five dollars to prepare instead of passing that fee through exactly as invoice to your client, instead, you're actually going to create a little bit of a surcharge. So perhaps you charge three seventy five or four hundred dollars to your client. And from a compliance standpoint, it is possible, although there are some complexities in terms of you need to demonstrate if you are audited, what you did to justify that fee for an outsourced service. And so really the point of reviewing all of these fee options is there's a solution out there for everyone. So if one of those sounds interesting, that's great. If you're having trouble deciding, it's a great time to reach out to our team and we can talk to you a little bit more about it.

Maddy Roche: [00:40:24] Wonderful and on that note, Sara, I'm interested in what can advisers expect when they work with XYTS and they work with the two of you and our awesome CPAs.

Sara Williams: [00:40:33] Yeah. So I think that the the underlying theme throughout this entire conversation has just been the experience and best interest. So when you're working with XYTS, you I, I'm going to say guaranteed, even though that's kind of a really big word, you're almost guaranteed this expectation that we care-we care so much about just making sure that you're set up for success and that your-your clients also

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

are having expert tax preparation on their side. So that's something to expect. And just the convenience of being able to have one central CPA, as Emily had alluded to earlier, and the communication challenge that this solves. That's another expectation when working with XYTS that you'll always have someone on your side to go to as far as issues that you're currently dealing with.

Maddy Roche: [00:41:32] Wonderful, Emily. Any comments on that?

Emily Purdon: [00:41:35] Yeah, I think it'd be a really good time to talk about some of the process improvements that Sara has made specifically. So we purchased canopy, which is our new CRM, it's made specifically for accounting practices. And so Maddy, when you ask what can advisers expect to experience when they work with experts that change between the course of this last season and this next season. And Sara has done a lot to improve kind of the behind the scenes in terms of processes and billing. And so I would expect that our advisors are going to have a revamped process going into this next season that we're all really excited about.

Sara Williams: [00:42:12] Yeah. And oh, my gosh, I love that you brought up Canopy because it's just this this awesome one stop shop area where you're able to securely upload documents. You have to only have one login for each of your clients. We're going to give you access to easily toggle between your-your clients and everything like that. It's really great. And then these signatures as well, you're able to pay your invoices in this one area. It's going to be just such a spectacular area. So that's just making the experience that much more seamless and integrated and allows you to feel a lot more relief around just the outsourced service that you're now providing.

XYPN Radio with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Maddy Roche: [00:43:00] Wonderful. Emily, you touched on it just a second on your blog, but I'm interested in fleshing it out a little bit on the podcast today. But how do you see outsourced tax planning and tax prep fitting into kind of a long term vision of this industry that you think we're moving towards?

Emily Purdon: [00:44:07] Yeah, absolutely. I think earlier in the podcast, we kind of alluded to the fact that outsourced tax might feel new to our listeners and to our advisors, but that's because it is. We believe that industry trends will continue to prove that outsourcing is essential to long term business viability, which really means whether or not you outsource investment management, bookkeeping, financial planning, work, marketing, it is essential to your long term success. And so I'm really excited about the future of outsourced tax. Tamps have only really been around since the eighties. Kitces wrote a great blog about that. If you're curious about just kind of the history of tamps and how they found success today, but I think in 10 years, 20 years, 30 years outsource tax, we'll have a lot more competitors in this space. And I'm really excited about that because I really believe in what we're offering to our advisors.

Maddy Roche: [00:45:01] Awesome, Emily. And talk to us a little bit about as we round out this conversation about what you as a director of XY Tax Solutions are planning for your team. There's been a lot of wins this year, and I'm interested in kind of what you expect for next year.

Emily Purdon: [00:45:14] Absolutely. So a big win was, of course, Sara joining us as an ops specialist. And right now we are hiring for all sorts of levels. So we are hiring two new senior tax managers, two tax managers, a

[XYPN Radio](#) with Maddy Roche

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

handful of tax specialist, which is a new position. It's entry level right out of college, usually out of master's programs. They are taking their CPA exams or starting to think about it. And so we really had some success with interviews for all of those positions and then ultimately six tax interns. So all sorts of backgrounds there. But we're growing our teams. We're positioned for what we call pods. So kind of that hierarchy of positions we were talking about earlier, we'll have about three pods and we're ready to crank out two thousand tax returns.

Maddy Roche: [00:46:05] Two thousand tax returns. You've heard it first here on #XYPNRadio, folks. It has been a total joy to work with Emily and Sara over these years. If you can't sense their enthusiasm for their work, it's palpable when you work with them. So I encourage you get on the phone with them, schedule some time to chat with their team, see how this can help you long term. And for the listeners who have yet to start an RIA, just add this to your quiver of opportunities and options as you build out your services, knowing, of course, that you want to be able to offer confident and strong planning and all different aspects. And oftentimes that requires you to tap some outside teammates to do that for you and with you. So on that note, Emily and Sara, thank you so much for the work that you've put forward, both with our advisors and to this department to XY generally to our membership community and then, of course, to our industry at large. It's been a total pleasure.

Sara Williams: [00:46:56] Yeah, definitely. Really excited that we were on.

Emily Purdon: [00:46:58] Thanks so much, Maddy.

Ep #277: Outsourcing Tax Preparation to Build a Scalable RIA

<http://www.xyplanningnetwork.com/277>

Maddy Roche: [00:47:01] Avocado toast, selfies, a mountain of student loan debt. Gen Y is anything but traditional and with over seventy five million people, it's a population you don't wanna ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy. Be sure to join our VIP community at XYPlanningNetwork.com/VIP to hang out with other #XYPNRadio listeners, ask questions for future mailbag episodes, and finally to find a community of like-minded financial advisors. Thank you so much for joining me today. We'll see you next time.

Narrator: [00:47:48] You are not alone and you are not crazy. It's scary starting, building, and growing your own financial planning firm and that's why we put together a free private community, just for you, the cutting edge financial planner. Go to XYPlanningNetwork.com/VIP or text #XYPNRadio to 33344 and join a network of thousands ready to change the lives of Gen X and Gen Y clients.