

Ep #354: The Impact of Tax-Optimized Financial Planning: A Conversation with Joanne Burke

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Narrator: [00:00:05] Welcome to your community of fee-for-service financial advisors who are successfully building profitable firms that serve the next generation of clients. You'll learn from innovative advisors whose unique stories will inspire you to dream big and take action on your goals. Are you ready to live your great life and help clients live theirs? Then you're in the right place.

Alan Moore: [00:00:33] Hello and welcome to this episode of XYPN Radio. I'm your host, Alan Moore, and I'm excited to welcome XYPN member Joanne Burke, founder of Birch Street Advisors, on the show today. Joanne started her career as a tax accountant in a big four firm, and after doing some rotations through the various departments, she landed in the individual tax department working with high net worth clients. Her partner split off to go independent, so she joined her and helped start their accounting practice getting the business set up and all that goes with that decision. After a few years and the birth of her second child, she decided to launch her own tax practice to give herself the flexibility to spend more time with her family than public accounting would have provided. Fast forward after her youngest left for college, she made the leap in 2020 and started her own RIA. We talked about her original plans to convert tax clients over to ongoing financial planning clients and the challenges she faced as she tried to move from being their tax preparer to being seen as their financial advisor. Her deep tax knowledge has proven to be a real asset as she's built a very successful solo firm. We talked about the upcoming decision she'll get to make as she decides if she wants to stay solo or hire and begin to grow the firm. This is a really fun interview that you don't want to miss. Without further ado, here is my interview with Joanne.

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Alan Moore: [00:01:48] Stuck managing your business instead of serving your clients? You're not alone. Entrepreneurs often find themselves working in their business rather than on it. That's why we're so excited to announce: XY Virtual Assistant+ is here to free you to do what you do best and leave the rest to us. Created to go way beyond traditional task management, XYVA+ was designed to be a partner who not only supports your business, but optimizes it. Check out xyplanningnetwork.com/assist to find all the ways XYVA+ can grow your firm from where it is to where you want it to be.

Alan Moore: [00:02:23] Hey, Joanne, welcome to the show. Thanks so much for being on.

Joanne Burke: [00:02:26] Hey, Alan. Thanks for having me.

Alan Moore: [00:02:27] I am super excited to talk with you because you have a journey that I think will resonate with so many of our listeners in your sort of journey as an accountant and doing taxes for-for-for many years and then becoming a financial planner. And so I just really appreciate you being willing to come on the show and share your story.

Joanne Burke: [00:02:46] I'm excited to share.

Alan Moore: [00:02:48] So let's talk sort of career path and sort of your journey through accounting. Did you start out sort of out of college planning to be an accountant?

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Joanne Burke: [00:02:56] Yes, I got my accounting degree and then I stayed for a fifth year, got my master's in tax. That's when they were starting those five year requirements a long time ago, almost 30 years ago. So I decided to go that route so that I could go straight into the tax department with one of the big, big four now Big Four, KPMG. So that was my focus. I want to skip the whole audit. I wanted to just go to the tax department. That's where I wanted to-to focus.

Alan Moore: [00:03:24] Yes, some people might-might question sanity whenever you start talking about going straight to tax. But, so it, just sort of for my clarity because I never worked in the big four. So if you don't at that point, if you didn't have your CPA, you end up working sort of as an associate in different areas. Is that sort of the path versus getting your master's and be able to jump straight to tax?

Joanne Burke: [00:03:42] Well, right. Yeah, in that corporate structure. They wanted you to do audit for a couple of years before you went to tax, but if you had a master's, they would allow you to go into tax. And the state of Virginia requires two years of work experience prior to getting the CPA as well as passing the exam. So I had to do that and they wanted some audit experience, but I, so I did a little rotation. But I was able to get around all that and get the CPA that way.

Alan Moore: [00:04:08] So what work were you doing there at KPMG? Were doing taxes for big corporations or was it more individuals?

Joanne Burke: [00:04:15] Yes, So they had a rotation, which is so cool because I still to this day, pull from the experience I had, they had a real

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estate group. They had not for profit, they had an expat, lot of foreign work. And then we had the ultra high net worth group. And so you sort of did rotations every six months and then you decided after that two year period where you wanted to land and I wanted to work with individuals. I wanted to work in the ultra high net worth group. We did a lot of the CEOs of the audit clients.

Alan Moore: [00:04:44] That makes sense.

Joanne Burke: [00:04:45] Yeah. Yeah.

Alan Moore: [00:04:46] So, I mean, like, can you give me sort of an idea of like, how much did one of those returns cost? Like how big these were? Not \$500 thousand returns?

Joanne Burke: [00:04:54] Oh, yeah. No, I mean, they could vary anywhere from \$5 to \$15,000. It just depended upon how many estates they were filing in, the complexity of their rentals, or their partnership interests. So yeah, they were. And we had a lot of real estate developers like this whole area of Virginia. We had the two main real estate developers and all of their entities. So a lot of passive loss issues. It was-it was a great, great experience. Really complex.

Alan Moore: [00:05:25] So they say, you know, after five years or something like that at the Big Four, you kind of choose, are you going to stay in the Big Four and go corporate for the rest of your life, or are you going to go independent? How long were you at KPMG?

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Joanne Burke: [00:05:35] I was there for four and a half years. And the partner, our practice, our individual practice, the partner on down, I was the senior and we had a manager, a senior manager. We left KPMG, took our whole book of business, kind of extraordinary, but she was the second most senior female partner in the US. She had some leverage, you know, with sexual discrimination. And so we were able to take our whole client book of business. We started our own firm, the tax boutique firm. She's a lawyer, so we did a lot of estate planning, will drafting. So I got a lot of exposure to trust, estates. I started I did a lot of trusts, estate returns, probate work, help small businesses start up because I got to help our business. So I set up the health insurance. So that helped me with my single member LLC clients, my sole proprietors. So there was potential for ownership. You know, becoming partner at KPMG was a long, rigorous course that this was, looked like a shorter term path. And so that's what I was really excited about, owning something with these women. And so that's why I left.

Alan Moore: [00:06:49] Okay, makes sense. So then how long were you there for?

Joanne Burke: [00:06:53] I was there for about three and a half to four years when it became apparent that that wasn't really the structure for me. I had another child, my second child, and I felt like I just wanted more flexibility. That was a real crossroad for me right there.

Alan Moore: [00:07:10] So when you say the structure, so ownership wasn't going to be an option?

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Joanne Burke: [00:07:16] Well, it was an option, but she didn't want to disclose the books. I'm an accountant. I wouldn't advice a client to buy into something when you don't even know what is on the books. So it was an interesting situation.

Alan Moore: [00:07:31] That's fair. It is interesting how we can be so and financial planners are the same way. We can be so academically knowledgeable about things like succession planning and continuity and selling parts of the business and all that. And yet when we go to do it, just emotion takes over and all of those money scripts pop up and it's hard. It's a hard thing to talk about. It's our thing to do. It's, you know, it's kind of like you're selling part of one of your kids to another parent. It's a weird dynamic that-that can be really challenging to work through.

Joanne Burke: [00:08:00] Yeah, yeah. And it was her baby and that was fine. But-but I just decided that-that really I really wanted to focus on raising my family, to be honest. So that's when I sort of jumped ship.

Alan Moore: [00:08:14] And what year would that have been?

Joanne Burke: [00:08:16] I think it was like 96. Oh, 1999, I'm sorry, 99. That's when she was born.

Alan Moore: [00:08:24] So then from there, you launched your own independent accounting practice?

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Joanne Burke: [00:08:28] Yes. So that's when I started my tax practice. Now I just want to give you a little more background. So while it was a KPMG, she was very forward thinking, my partner, and she started doing financial planning for these CEOs and we were using that old exact plan software. I was so interested in it. I took to it, like it was so fun because you weren't pigeonholes with black and white and there was a lot of a lot of number crunching. We did a lot of retirement analysis. And then when I left to go to the tax boutique firm, I got my CFP® then. So that was 23 years or so. And so I studied self study, had a two year old working full time, took the CFP® exam, and that was that was done. So when I got to this point where I wanted to focus on my family, I had interview with a big now billion dollar planning firm and got the job offer and then realized it that I don't think that's where I want to go right now just because I want to. I don't want to be client facing and it's just a whole new thing. So I said, let me-let me go back to the tax. Let me stick with that and just let that grow organically and let that grow around my growing family.

Alan Moore: [00:09:46] It makes sense that would have kind of been trading one-one thing for another where you're not really solving that issue that you were looking for, which was more time and flexibility. And, you know, especially you said when you went independent, you were doing wills and trusts. And I mean, at what point you're doing estate planning and retirement projections and analysis and taxes and not just tax returns, but tax planning, like it's like 80% of financial planning.

Joanne Burke: [00:10:10] So, yeah, I was we were doing it. It was. But yeah, it was yes, it was great. It's so fun. But, you know, at that point I felt like the investment piece was a big open uncertainty and I just felt like that was a full time job and I wasn't prepared to take that on. So that's the tax

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piece I knew, and I could continue that and grow and explore with that. So that's where I went.

Alan Moore: [00:10:36] So were you able to take some clients with you when you started your tax practice, or were you really starting from scratch at that point?

Joanne Burke: [00:10:43] I did, actually. I wasn't trying to solicit them, but just like when we left KPMG, you know, people follow you or was it was just kind of a business dealing. And I had people come along. So I maybe started with 20 or so clients and now I serve over 125 in the tax side. So a very organic growth. And yes, they, you know, I was fortunate to start with people and not eat beans and rice every night so.

Alan Moore: [00:11:11] No, it's-it is a huge leg up when you can start with revenue for sure. I mean, we see that in our benchmarking study. We show a lot of statistics around those advisors who start from zero and sort of where they end up. But the ones who start with revenue have much higher success rates just because they you can pay the bills a little bit more certainty. So accounting, especially on the tax side, is sort of known for the cyclical nature of it's feast or famine, depending on the time of year. How did you balance the workload with having young kids and you said you wanted to be able to spend more time with family. Were you still doing 80 hour weeks during tax season or were you able to find more balance than that?

Joanne Burke: [00:11:51] Yeah, we kind of yeah, definitely the latter. We kind of made a decision that we're going to focus on my husband's career

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that was going to be the primary, and so I worked part time for many years during tax season. I would work at night, I work at evenings. I did have help come in a couple of days a week, and my mom, fortunately would help. And then they went to school. So that was kind of nice. I work when they were in school, but I tried to keep that at bay because I wanted to be present and it's really actually a great gig for moms or working dads because you work a little bit intensely in those winter spring months, you know, especially if the kids are school age. That's great. And then really summers are off and that's when your kids are home. So it's really a nice sort of matching of your time commitments and wanting to be a family.

Alan Moore: [00:12:47] Yeah, I appreciate you share that because especially tax accounting is not known for being something that you could do part time. And just so few employers I feel like are supportive of that. Obviously we're independent, so you can make that call, but it's good to know that there is a lot of flexibility there. So fast forward a few years. You said now you're working with with 125 clients. What what made you decide to to start the financial planning firm?

Joanne Burke: [00:13:15] Yeah. So I, the last oh, gosh, starting like 2020, 2021, like there's the few years before COVID, the tax law changes during tax season. It just got to be because I had built up the business and I have no help. I don't, I do all the returns myself. It just got to be so stressful. And you're right. It got to be that 80 hour week. I work every day from January 15th on kind of thing, and I decided, you know what, my daughter's in college. I want to go back to what I love. I want to go and explore what I'm passionate about, the planning. I want to provide more value to my clients. And I thought I could just convert my tax clients. And so let me set up an RIA and I'm really good. You know, I met, I meet a lot and met a lot of folks in this business investment advisors, attorneys, insurance folks. And one of

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my good friends is an investment advisor. She is retiring and she's like, Look, you need to do it. You need to get in there, set up your RIA. You need to, I'll give you clients, you know, past clients too. So that was enticing. But that that really wasn't what did it. So I finally decided, you know what? It's time for me to do me. I have spent my years doing what I love to do for my family. And now I have space to pursue my own passion, which is the planning. So that was really the impetus. So the summer of 2019, I registered that fall and joined XYPN and really started moving forward with it.

Alan Moore: [00:14:53] So the hope was, I mean, you knew financial planning, you had your CFP®, you had done some planning, so you knew what you were getting into. These weren't your first planning clients, but really the goal was to-to-to convert some of your tax clients to the-to the financial planning side. Was the was your thought that you eventually wanted to shut down the tax practice and just do financial planning or have you had this sort of a plan to have a dual model of have the accounting practice, have the financial planning firm and with some crossover clients?

Joanne Burke: [00:15:24] Yeah, I you know, I have to say, like I said, with the tax practice that sort of grew organically, I'm more of an organic I don't, you know, set these five year visions, which maybe I should, but I thought that I would shift these people over and then still keep the tax practice. But I, just and we did planning a little differently than we're doing planning now. So it's a-it's a different model. And I've added the whole investment piece because I have a TAMP. So that's-that's a whole other sort of dimension. But so I thought, yes, I'll just convert these people over and I'll still continue to do the same. But I, because my planning practice has grown so dramatically, I don't have time just to do as much tax returns. And quite frankly, I don't want to do a bunch of tax returns. You know, you get to that

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point where you're like, Does this bring me joy? No, but I will. I am doing the tax work for my planning clients. So that adds real value and stickiness.

Alan Moore: [00:16:28] I appreciate you sharing that because I think there are a lot of advisors out there who either have an accounting background or we have some firms that XYPN who have purchased book, tax practices and with the intention of being able to convert those tax clients over to financial planning. So talk to me about the conversations that you've had with your with the tax clients and like, is there sort of a profile for those who chose to move over and start doing financial planning versus those who have elected to not and just-just have to do their taxes at this point?

Joanne Burke: [00:17:00] Yeah, I think it's such- and because I'm not, you know, there are lots of different reasons. But for some of the folks that-that, for example, did not want to transfer over, they-they have investment advisors and that's-that's what they, when I say financial planning they think investment advisor and they also, you know what, they think of me as their tax person. They really I think that that's still sort of stuck in their head that I'm their tax preparer. You know, I they don't necessarily see and I again, I'm not a real hardcore marketer. I talk to people about it when we're doing the tax work, I talk about the Roths, I talk about the conversions, share about my new firm, share about my new venture. But I've never sent out a whole blast to my client base because I don't really actually want to work with everybody in that capacity, you know. So I have the CFP® initials on my signature. I was getting requests from clients. Look, is that, you're a certified financial planner, why aren't you doing planning, what? So that's that was some of it. And it was these folks that are making this point where it's like, how do I get myself set up for retirement? You know, it's kind of that that's my sort of main core. And then plus or minus ten years on either side or maybe more toward the retirement people. But so, I have reached

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out then very directly to some folks that I think would really benefit from the planning and shared what I'm doing and explained it. And I've been flat out told I don't need a financial planner or you know what? We're good. And they've got an investment person that they're working with. So, you know, I guess I was kind of shocked in a way. I thought, Oh, everybody is going to want this, but not everybody does. It's just not.

Alan Moore: [00:18:51] I think it highlights that, you know, we quote Forrester data quite a bit around sort of this model of about a third of consumers are delegator, a third are validators, a third are DIYers. Financial planning historically has really focused on the delegator, whereas a tax practice really grabs everybody because at some point just things are too complex to DIY and people know that like, I don't care how hardcore of a DIYer you are, when you're in the level of type of tax client that you're working with. They know they have to have an accountant just to navigate all of this. It's cheaper to hire you than it is to screw it up. And so I think it highlights the fact that when you're looking at a tax practice, they didn't—they didn't hire you for this ongoing financial planning relationship and to delegate their investments. And a lot of the financial work, they hired you to do their taxes. And so there's going to be some sort of segmentation. I don't know if it's actually a third, a third, a third in a tax practice, but like there's going to be some sort of segmentation of those who just really want to do it themselves. There's a group that already have an investment advisor and you've got to kind of convince them why they should go with you. And it sounds like you're not going to go in for the hard sales pitch. So like, you know, you sort of inform, but that is what it is. And there's going to be then a segment that both you want to work with and they want to work with you, which starts to sort of whittle down the percentage of folks who are going to move over, which—which makes a lot of sense. And I know that the economics of and I get it, the economics of buying a tax practice, they tend to sell for one X revenue. So if you can buy half a million of revenue for half a million dollars and and hopefully convert them to tax to financial

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planning clients, which sells for 3 to 4 times revenue. And so I get that. But I think it's a good cautionary tale for those who are-who are in the business or thinking about getting into the business of all just by tax practices and make everybody a financial planning client. Probably not. I think you'll, I don't know the percentages, but I'm guessing you'll have a 10 to 20% success rate. Do you know sort of what was your success rate there?

Joanne Burke: [00:20:49] I'd say 20% if that. Right. And still and I think that I am planning to actually sell off a portion of the tax practice because again, I don't want to be the tax only shop. And when I do provide that and I don't want to give an ultimatum, but I just, you know, and basically going to say, hey, unless you want to be a planning client and I may get some folks to come over, but I've already approached some of these people already, you know, so. It's again, I don't know what the exact reasons are like. They have their person. They see me as the tax person and, you know, but whatever, it is what it is, and I-I think that, you know, for some people it's just an insurance policy. You know, they could try to do it themselves. Like you said, it's like, okay, but wait a minute, we got something someone on the line here for it. The IRS comes knocking on our door.

Alan Moore: [00:21:45] Somebody to represent us in tax court.

Joanne Burke: [00:21:47] That's right.

Alan Moore: [00:21:49] And I ask this genuinely, as someone who's never done I worked at a Vita Clinic in college, so, like, I truly have never done taxes. I'm not an accountant. How has your approach or change or has it changed when you're when you're trying to do someone's taxes now that

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you've done so much financial planning and incorporated taxes into that, has that changed the way you view tax-tax preparation for these clients that are tax only?

Joanne Burke: [00:22:14] I say yes. I would say yes. And here is the difference. It's reactivity versus proactivity. So in the tax world and this sort of fit where I was, it's a very reactive world. You're taking historical information. You know, people don't want to spend a couple hours of CPA time to plan with me during the year, and then I have to unravel it all after the fact. But now it's all proactive. I do tax planning for all my financial planning clients. You know, we do it. And so we're looking at very closely what's going on, thinking about dafs, thinking about using appreciated assets for getting, you know, So when I'm looking at some of my tax clients, I am reading up these issues more in during the year, like I'm raising more issues, I'm being more proactive and that-that's the whole, it's just that lens, that proactive lens.

Alan Moore: [00:23:06] I imagine then that makes it hard to do the tax only clients where it is easier to do a tax return for a client you've been working with on the financial planning side for several years. You know what happened last year, You know what contributions they made. You know that they bought or sold a house. You sort of already know those things versus like, okay, here we go. How do I unravel this and sort of clean up the mess and maybe fix some things before April 15th?

Joanne Burke: [00:23:28] Right. And it's just like, oh, yeah, I just found out that so-and-so just sold his rental property. Oh, okay. Well, maybe you want to do a 1031 exchange, like, maybe you know what? And so people, the tax practice is very transactional. I mean, I know people are moving into

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this sort of bronze, silver, gold level package, kind of like what we're doing and planning. And I think that's probably a great way to go, honestly, because then you're opening up the space for the planner, you're opening up room. But the fee obviously is higher, but it's very transactional. And folks, you know, depending upon who you have, they may not want to spend that time planning. They may not. Or the money, quite frankly. So.

Alan Moore: [00:24:13] Well, it's not hard to earn back the fee with avoided mistakes and penalties and stress and all that. But I hear you that it's you know, for most clients, it's seen as a necessary evil. It's not seen as-as a value add, whereas on the planning side, they hire us for the value add, not because not the necessary evil component. So are you doing tax preparation for all of your financial planning clients at this point, or do you have some that are still using outside preparers?

Joanne Burke: [00:24:42] Yes. So I'm going to do tax for about 80% of my planning clients. So some of my new folks that are just planning only not investment advisory clients, they have tax preparers or CPAs. And I'm like, that's fine. That's great, actually.

Alan Moore: [00:25:01] Fewer tax returns for you. I mean, this is a very common journey that I hear from accountants who are getting into financial planning, where many-many have the tax practice. They want to start a financial planning firm. And then, you know, there's some economics components of just recurring revenue, recurring relationships. It reduces a transactional nature. It also smooths out the workflow. You know, financial planning is-is something you can do every month of the year. Sort of like trying to get clients come in in December is probably the hardest part. But like you can do it every month, whereas tax again has sort of this cyclical

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nature and it can be really draining and it can impact when you're doing 125 tax returns for non clients, it really impacts your ability to bring in new clients to take care of your current clients and the planning side. And so people end up in this sort of whiplash scenario where when they do-when they do have a tax practice, their financial planning firm almost turns into a tax practice in the cyclical nature, but in the off season. So it's like Q1, it's all tax practice. Q2, it's back to planning. Q3, it's back to tax. Q4, it's back to planning. And it can be really hard to manage, especially as a-as a solo or small firm. And so this is we definitely see firms that that get sort of get the taste of financial planning and just the way the firm operates and the relationships with clients. And they tend to start moving away from the transactional nature of tax.

Joanne Burke: [00:26:19] Yeah, you just really hit the nail on the head for me. This is the way I've been working at just sort of like, okay, we're good at, we're doing taxes now and that's where we go. And this Q1, Q2sh area, and that's what I am trying to get away from. I was trying to smooth out my workload and trying to be able to continue doing planning during that time of year. So that that's been really my focus. I'll tell you what surprised me though, Alan, was that I just at first really wanted to completely get rid of all the tax work and as the more I've gotten into my planning practice, I am such a commodity because I have such tax debt. And we know that like I know 70-80% of our financial decisions are tax related and everybody is new prospects that I'm talking to. They're like, Wow, so you're a CPA, too. Oh, wow. You know, tax. And because everybody I'm talking to says you have to go talk to your CPA, you have to go talk to your CPA. Well, I am the CPA, so I feel like there should be, it's a value add and I'm not even sure I'm pricing it right, to be perfectly honest, because as I'm getting in this more, I'm thinking to myself, Oh my God, I don't have to go learn this stuff like everybody else does this. This is what I eat, sleep, breathe kind of thing. And I take it for granted. But it's coming to be a great realization that

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this is really actually the perfect background to bring into this planning arena.

Alan Moore: [00:27:55] Oh yeah, it's a huge asset and I think that that's, different advisors have different approaches where some put financial therapy life planning at the center of the relationship. Others, you know, different things, others investments, some insurance, but taxes, like you said, it really is. It touches every decision. Every-every financial decision that we make has some tax impact. And knowing that and being able to keep up with it. I just watched a webinar from Kitces on Secure Act 2.0. I'm not even sure I'm up to being on 1.0, and I'm reminded that it hasn't been that many years since I was a financial planner and I can provide no value anymore because I don't know how the taxes work and all the laws associated with it. So anyway. So yeah, let's talk about because maybe we can figure out your pricing model here live on the air with listeners. So the in terms of the service model, can you talk me through sort of your-your typical service model? Actually, let me take one step back and that is, do you have a client, sort of an ideal client profile, typical client that you enjoy working with?

Joanne Burke: [00:29:00] Yes. Yeah, actually, I do. My avatar is somebody probably late fifties, really kind of 4 to 5, 5 to 7 years out from retirement, really trying to figure out how do I set myself up for that, getting them prior to those years before retirement. So we can start strategies with Roth conversions during retirement for Social Security. Looking at long term care, that's always a huge one, sort of getting that long term care plan, setting up the generosity planning that-that is like an ideal and then being able to work with that in that decumulation phase, that really tax optimized decumulation phase ahead. So but starting all that like five ish years out, and I will say that I just want to add when you said life planning.

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So I've been through the Money Quotient and I'm a member of Money Quotient. And so I'm very numbers oriented and I'm very quantitative. But that wasn't enough. I felt like that just really kind of left an empty. So I really added in that sort of qualitative approach that I think really helps people really, really understand their values. So it's-it's-it's this is I've learned so much in this whole.

Alan Moore: [00:30:20] That's awesome.

Joanne Burke: [00:30:20] Yeah. Yeah.

Alan Moore: [00:30:21] I appreciate you sharing that. Was that a tough transition for you as a quantitative person to sort of lean into that qualitative emotional side of financial planning, or did that come naturally to you?

Joanne Burke: [00:30:32] Well, you know, a little of both. I mean, I would love to just go straight to the tax. Okay, let's do this. Make this contribution list. You're going to go to this. I mean, that that feels good. You know, numbers are safe. They're there. They're black and white. But doing my own personal work, I understand the power of understanding yourself and the whys, why we do. And I feel like that dimension, I can't put a value on it. It just really is so, just such a great value add and that people can really tap into why they're doing what they're doing with their money or why they want to do this or that with their money.

Alan Moore: [00:31:18] I love that because I do recognize that many of us are more comfortable jumping straight to the numbers and then clients

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don't do what we need them to do or what we're recommending. And then we're just like, Why? And when you really get down to it, understand the why it makes a lot more sense. Then we can help clients navigate that because usually they're not not doing things just because they're trying to make us mad. They're not trying to cost themselves more in taxes. There's something else going on.

Joanne Burke: [00:31:44] Yeah.

Alan Moore: [00:31:45] So in terms of your fee structure, so you have this ideal client profile, which makes a ton of sense, especially given your tax knowledge where you're really planning for the decumulation phase and all the things in preparation for that. And then starting, you said tax optimized decumulation I think is huge, huge savings there. What-what is your fee structure of how have you-how have you structured out your-your financial planning fees?

Joanne Burke: [00:32:08] So I work on an ongoing basis. It's an ongoing relationship. I don't do one offs. I don't do hourly unless they're tax legacy tax clients. I'm sort of trying to bring in to the planning. I'll do hourly, but I have a subscription, you know, \$4800 minimum a year for individuals and \$6,000 minimum for couples and a \$1250 first year upfront fee. And then my AUM structure is separate. If you want to engage in investment advisory services, that's additional. So, yeah, so I have clients most of my clients are at the \$4800. I started the \$6000 beginning of last year. So I have clients that range from \$6000 a year to \$8400 a year just in planning fees.

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Alan Moore: [00:33:00] And does that include tax preparation and tax planning as part of that fee?

Joanne Burke: [00:33:04] No.

Alan Moore: [00:33:04] Okay, so that's an added fee.

Joanne Burke: [00:33:05] Separate, yeah, because I was kind of advised to keep the tax firm separate from the planning firm for compliance. So I built all the tax stuff separately. Unfortunately, they have two different emails they have to work with. But people can work around it. But yeah, no. So that's-that's separate service.

Alan Moore: [00:33:23] Okay, good. I was going to that was going to be my encouragement. When you said you weren't sure if you were charging enough, if you were including taxes, I was definitely going to say no, you were not charging enough. But so I guess there's sort of three fees that everyone's paying. Probably for the most part, they're paying the planning fee and then the tax preparation fee and then the AUM is a separate-is a separate fee. And what is the AUM structure? Does that start at 1% or-or somewhere around there?

Joanne Burke: [00:33:48] So it's 95 basis points up to the first million and then it's 80 basis points or 85 for the next million and a half. So what I've done though is reduce the basis points to 25. If they're paying 25 per each tier, if they're paying an ongoing planning fee.

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Alan Moore: [00:34:07] So do you have investment only clients that are just paying you for investment management?

Joanne Burke: [00:34:11] Yes.

Alan Moore: [00:34:12] Okay.

Joanne Burke: [00:34:13] And it's different, yeah, so we meet twice a year. I do planning in the fall. You know, it's a different-it's a different, like service calendar really.

Alan Moore: [00:34:22] For sure.

Joanne Burke: [00:34:22] Yeah.

Alan Moore: [00:34:24] And then you mentioned earlier that you're using a TAMP. And so for listeners, it's a turnkey asset management platform, which is a program that you can, an outsource provider that you can partner with to be able to provide some additional services to clients. So you're not doing everything yourself, which I highly recommend for solo advisors in particular. So what do you mind sharing what TAMP you're using?

Joanne Burke: [00:34:44] Yeah, I'm using CGN Advisors. These, that used to be Garrett Investment Advisors and Justin Nichols, Mike Greim and

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Chad Chase, bought out basically Sheryl Garrett And so they run-they run the network and they also do some, some advisory work. So the beauty of their-their group is and I interviewed five or six different TAMPs so and then I even came back to them a second time. I had clients that had like individual stock and bond holdings that I wasn't going to sell off with, you know, capital gains of hundreds of thousands of dollars just to go into a model strategy. So I had to be able to have the support of an investment team that would help me work that into the model structure, into our asset allocation and our strategy. And they and they do that. And it's wonderful. And so I think that's helped me to attract more of my affluent, you know, investment advisory clients.

Alan Moore: [00:35:55] Yeah, it's a great point that not all TAMPs are built the same. Last I saw lists are like 450 TAMPs out there. And there is sort of this mix that you've got to find that works for you because some TAMPs only allocate on the individual account level. They can't, some-some allocate on the household level. Some can hold outside assets, some can't. Some can-rebalance around those assets and incorporate them into the sort of ideal model asset allocation, but not actually sell them. There's a lot of that those things to consider. Obviously, the more services, the more fees generally speaking and the bigger the firm, the different type of service tier. As we say, never want to be the biggest nor smallest client of anyone. And so you've got to- got to figure out like, where's your sweet spot? So that it makes a lot of sense. And I guess what went into the decision to partner with a TAMP versus doing this yourself? Clearly, you can figure this out. You've got more credentials than most. You're clearly smart enough. Why not just manage in house? Why hire a TAMP?

Joanne Burke: [00:36:53] Well, you know, I really thought about this. I feel very strongly about having the depth and the knowledge of what I'm trying

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to provide to clients. And I clearly have that tax piece. And because I had so much tax work and had that depth and keeping up with that, that consumes a lot of my time. When I started, I wanted to come in with that same kind of depth in the investment advisory piece, and it would take me some time to get up to speed. And quite frankly, I wanted to be able to say, Hey, here's my team that I've been using. They've got 20 plus years of experience just like me, and I'm giving you depth in the tax side, depth in the investment side. I'm bringing the whole package to the table. And so honestly, that was one of the best decisions I made. And I really knew that I had to secure that right away, that relationship right away.

Alan Moore: [00:37:49] Yeah, we like to remind advisors that if you're the one doing all the investing and all the trading that and you're solo, that means you never actually get a vacation for the rest of your career, because in the end there are obligations. When a client calls with a trade that needs to be executed, you've got to do it. Whether you're on a Caribbean cruise or hiking in-in the Alps, like you have to do it. And so that is the that's one of the real benefits of of hiring a TAMP. Just because you're so low doesn't mean you have to do it all alone. All right. You can you can have help. And I keep saying solo. Do you have any employees at this point in your practice?

Joanne Burke: [00:38:26] I don't. I don't. I've used some outsourcing, paraplanning for things like that, trying different things. Hopefully I'll do something more permanent coming up next summer, this summer. But I will say you still have to be on, you still have to check your email on vacation. You still, I mean, I'm the front person. They're my team, you know, like I want my clients to know that I am the one bringing this to the table and that I am the person that's that understands and it's handling that. But they're my back office, so I am still taking the requests for cash and

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things like that. So I think just being in that set by buying those services, you really are on the line more so than with just the planning, you know, because of the nature of needing cash. And so-so yeah, so but it's great because I knew I know all the administrative pieces with doing tax work, right? I don't want to sit there and fill out a Schwab application. No.

Alan Moore: [00:39:28] Not-not your highest best use of time.

Joanne Burke: [00:39:31] No.

Alan Moore: [00:39:33] So you mentioned you're thinking about a more permanent hire. Is that more intern or are you thinking about starting to add full time team members to the-to your team?

Joanne Burke: [00:39:43] You know, this is something I really need to think about. I think it would be a part time permanent, something like that. Just I need to you know, I need to know or I thought, okay, I'm going to be a lifestyle practice. I'm going to be about 30 client households. I've already got 20 low twenties already, and now I'm not even taking clients until May of 2023 because, you know, tax season. But I feel like I want to have that person so that when I am on vacation they can contact that person. So it'll probably be virtual experience because I work out of my home won't be someone that I'm and it won't be. I don't see that I'll have enough work for full time. So I think I'm going to again, I'm more of an, let's just got a creep our way into it. You know what, but some would say oh no you get you know, you don't wait till you're at capacity and then hire somebody. You hire somebody so that you can grow to capacity. And, you know, I-I probably not planning as best as I can, perhaps, but, you know. We'll see.

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Alan Moore: [00:40:51] I also find yeah, sometimes people hire too early as well and that can create financial challenges and stress and such because we we can all make Excel say that our business plan is phenomenal. I mean, it's perfect in Excel, but then, you know, but then reality hits and are you making enough money and do you have enough work? Like I said, I mean, one of the worst things in the world is to have bored talent around the office. So you've got to be sure that that. We're-that we're ready to to bring folks in, which makes a lot of sense because you worked on teams. It sounds like you were always part of a team until you ultimately started your with the tax practice. Did you have help or has that always been just you?

Joanne Burke: [00:41:31] Just me.

Alan Moore: [00:41:32] Okay. So you've seen the value of having a team. And I would say about 50% of XYPN members say they never want to hire ever. And then the other half say, yeah, they want to hire someone or or someone's depending on the size they may want to grow. But a lot of folks who, for a variety of reasons, just don't want to manage people. And-and I would I would probably lump like part time even part time permanent help is like I don't want to grow a big team. I'm not trying to get big here. I'm just trying to support the client base that I have. And it doesn't even sound like it's for you to bring on a bunch more clients. It's really about supporting the client base you want and that you have so that you can take a vacation.

Joanne Burke: [00:42:11] Exactly.

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Alan Moore: [00:42:12] So what are you thinking about in terms of sort of what's next for you? I mean, you have this tax practice that's been successful. You have a thriving financial planning firm for now, and it's growing. But it's you know, you may hit your number by the end of the year if you keep growing like this. So I guess what's next? What do you sort of where is your focus going to be for the next 12 to 24 months when it comes to business?

Joanne Burke: [00:42:37] Yeah, I, so I definitely want to sell off part of the tax practice that that was, as I said, I was working on that last fall and over the holidays but it did quite didn't get it the deal sealed so that will be the summer. I'll definitely be doing that. And then that's going to free me up because I want to start providing more educational videos and materials to clients. Like it's a marketing, but it's also an educational piece. I look at it from that perspective. I feel like my I want to increase my outreach to clients. You know, I'd like to get up to 30 families that are planning clients. And, you know, I'm not sure I really think this could grow well beyond me just because I do have so many great contacts. And really most of my new clients are from existing clients. So I mean, I have gotten them from XY and some other NAPFA sources. But, so yeah, I think growing to that-to that sort of 30 household is the 12 to 24 month. But beyond that, I'm not quite sure.

Alan Moore: [00:43:50] So it sounds like you're still wrestling with the decision on whether or not you want to grow beyond yourself or stay small or stay solo.

Joanne Burke: [00:43:58] Stay solo. Yeah. Lifestyle practice, right?

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Alan Moore: [00:44:01] Yeah. How-how do you feel like you'll make that decision? Sort of what are some of the things that you're thinking about as you're weighing that that decision, or are you just trying to not think about it for another year or two and address it later?

Joanne Burke: [00:44:12] No, I just want to I want to see what it feels like without this tax burden, without all of these clients. Because once your client, you can call me with your notice in the summary. You can. So I want to feel that. What does that feel like? And then I want to be able to hire somebody at a permanent part time kind of situation. What does that feel like? How do we grow into that? And I think that's going to give me sort of more room to then decide, do I want to really expand beyond this or-or are we going to keep that at a-at a-at a space where I am working the four days a week and taking vacation and feel good about that and saving for my retirement? And so those kind of you know, it's not a-it's an it sounds like an either or, but I'm just going to kind of see what it feels like this summer before I make commitments to which path I will take.

Alan Moore: [00:45:13] It makes a lot of sense. And to your point, you haven't really you have an experience just having 25, 30 clients on the financial planning side without the tax practice, and it'll take a little bit to sort of settle into that and feel what that feel, what you may have to go through a tax season to really like, like, wow, I'm bored. Like, what am I going to do during the spring if I don't have taxes to do for all these clients. And so, you know, and I encourage folks to remember, there's no right answer here, you know, and that's the mistake I think we-we make sometimes as business owners, as especially those of us who are more on the quantitative side, we're trying to create the Excel equation that answer like, how much money do I want to make and how much time? And it's like, it's okay. Like sometimes we just experiment and we try it and we get

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creative and we see what works for us because no decisions at this stage can't-can't be undone, you know, like we can always-we can always adjust. And so, I mean, you know, when you're building a super successful solo practice right now and again, you can choose to go the boutique route. But I mean, just back of napkin math, I mean, this is a 350 to 400000 revenue, gross revenue practice when you're-when you're at 30, 35 households. And so, you know, that's a very successful business, in dollar terms. Success means different things to different people. And so, I'll be really interested to hear how you-how you feel as the accounting side gets gets sold off and and sort of lean into just the planning and see how that feels and how you make that decision. Because it's not-it's not a simple equation, unfortunately, to get to that answer.

Joanne Burke: [00:46:47] That's right. That's absolutely right. Yes. And I do think yes, that's a great revenue base to kind of, I'd be totally happy with that. And that's-that is where I'm going, probably that \$400k ish range. I've had incredible growth. I don't know the percentages, but I've shared it in, you know, in the pre thing. But I don't really know what what that percentage is. And being the CPA, I can't believe I didn't quantify it, but it's been, you know, over \$100,000 each year and I'm just so grateful because I do think it's about relationships and, you know, building that trust with clients. And I don't know how to teach that, you know, you just don't know how to, that's just something just wanting to-to take care of people is just kind of I think it just has to be how you carry yourself. And I think that's to me, what helps to solidify my relationships with my clients.

Alan Moore: [00:47:49] Absolutely. It is a hard thing to teach. So it's why I encourage young people when they're getting into the industry. I'm like, the number one question to ask is how long until I can sit in client meetings? Don't ask how long until you can talk because you can't talk for a while,

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most likely, but you can sit and watch because that's the only way you're going to learn how to navigate these challenging conversations that we take for granted. Once you've had the 100th conversation, you're like, okay, I got this, but it's hard to remember what the first one was like. And so good for good for folks, for young people to be able to sit in the office and just be able to-to watch us. And then over time, they develop their own, their own style, their own-their own flow with that. So but it is a lot of fun. So Joanne as we're coming up on time. We'll close out with a final question, and that is if there's one piece of advice that you wish you could go back and give your younger self, what do you think that piece of advice would be?

Joanne Burke: [00:48:42] My younger self. How young?

Alan Moore: [00:48:43] You can go as-as far back as you choose.

Joanne Burke: [00:48:49] Yeah. I probably would have started the planning practice earlier. I'm sure you hear this all the time. I just I probably would have started it maybe five, five years earlier than I did. But it just is what it is. And, you know, you don't know until you try. I-I, so that does that is something I think I would have done. But what I will tell you is that by starting it in my mid fifties, I'll share my age just because I think this is good knowledge to have, it really provides over 50 or 70% of new businesses are started by people over 55.

Alan Moore: [00:49:26] Absolutely.

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Joanne Burke: [00:49:27] You know, and I'm providing a model for my kids and hey, it's never too late to do something you're passionate about. Like it's never too late to start something you're really passionate about. And so this is what I help clients do. These are my, this is my age group. So I'm living it. You know, I tell my clients, hey, you know, you want to start that consulting practice or you want to cut back, you can do it. Just figure it out with you.

Alan Moore: [00:49:51] So I appreciate you sharing that because I think we we hear so much about the 20 something tech startup, and they're going to be the success entrepreneurs and the-the-the failure rate of entrepreneurs in our twenties is astronomically high. You know, we-we have we get a lot of, we sort of have a brand for like everyone XYPN is in their twenties and they're not I mean median age of a member is like 42 now, which is right at the cutoff between Gen X and Gen Y, which is kind of funny that it worked out that way. But I mean, I count on two hands the number of people in their twenties who are part of the network, because entrepreneurship in those earlier decades are really hard. And I think that if I remember this, the statistics right, the success rate is the highest when you're starting a business in your fifties for a variety of reasons, you have experience. You probably have the financials figured out by then and it's not as high pressure and and you have relationships, you know a lot more about what you're passionate about. So I appreciate you sharing that because it really is it's really never too late to start a business to follow your dreams and-and you know, and it doesn't have to be something that you don't make money doing. Like you can make a lot of money in this sort of encore career, I guess, which is sort of where you're at, where you get this get an opportunity to-to do it again. So, yeah, Joanne, thank you so much for taking the time to come on the show and share your story and your journey. I am certain that this is going to be really helpful for folks who are evaluating their own, their own journey, and trying to decide if financial,

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starting their own financial planning firm is the path for them. So thank you for-for taking the time.

Joanne Burke: [00:51:20] Thanks, Alan. This is great. I really-I really appreciate you having me on.

Alan Moore: [00:51:26] Stuck managing your business instead of serving your clients? You're not alone. Entrepreneurs often find themselves working in their business rather than on it. That's why we're so excited to announce: XY Virtual Assistant+ is here to free you to do what you do best and leave the rest to us. Created to go way beyond traditional task management, XYVA+ was designed to be a partner who not only supports your business, but optimizes it. Check out xyplanningnetwork.com/assist to find all the ways XYVA+ can grow your firm from where it is to where you want it to be.

Alan Moore: [00:52:01] Also, be sure to go to XYPlanningNetwork.com/VIP to join our private Facebook group for fee-for-service advisors. It's the community you've been looking for that's there to support you no matter where you are in your journey—best of all, it's free. Again, that's XYPlanningNetwork.com/VIP.

Narrator: [00:52:21] Thanks for listening to XYPN Radio. If you enjoyed the show, please be sure to leave a review that will help grow the movement of fee-for-service advisors, serving next gen clients and building the firms of their dreams. That's all for today's episode, until next time.

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