



How to Evolve Your Tax Firm into a CAS Practice

Future-Proofing Your Firm
with Client Advisory Services

Looking to future-proof your practice?

According to research, offering client advisory services (CAS) is still the answer: A 2020 CPA.com study reported that a whopping **68% of clients want their accounting professionals to act as strategic consultants** and provide them with tax-related services.

This likely isn't news to your ears. The accounting profession has been talking about CAS for years. But why are client advisory services still relevant?

Bill Carlino, [Managing Director of Whitman Transition Advisors LLC](#), puts it like this: "Everyone wants to do more. [CAS is] easy to tuck in, [helps you] make more money, and you can always sell those services to clients."

In this whitepaper, you'll learn everything from what clients want to how firms transitioned from traditional tax practices to firms that offer both tax and CAS. Best of all, you'll hear from colleagues you know and respect, a guide that's actually the voice of accountants like you.

The goal? That you can, as accounting tech expert and [CPA Jason Staats](#) puts it, become a firm leader that views client advisory services and "technology through the lens of each client's specific business context and needs. [Accounting practices] that can pinpoint where opportunities and risks lie for each client...will stand out as progressive, forward-thinking advisors."



An Inspiring Evolution: Why and How A Tax Practice Transitioned to Advisory

Let's start with a success story: Dillon Business Advisors (DBA) is a tax practice that wanted to get out of just doing tax planning and become a firm that mostly focused on advisory. Here's why and how they did it.

A Proactive and Methodical Approach

If you've been to an accounting conference in the last few years, you've heard someone say accountants "need to be more proactive." Marcus Dillon not only took that advice, but dove in with impressive commitment and an accountant's characteristic attention to detail.

When Marcus, the [Owner and CFO of Dillon Business Advisors](#), was asked about his firm, he described an accounting firm that had two departments, so to speak: one that offered tax advisory and planning services, and one that provides financial services to clients who cannot afford to hire a separate team on their own. The former was about 25% of the business, while the latter was 75%.

Marcus's approach to the CAS side of his firm was practical, data driven, and methodical. He installs a team of three people into his clients' businesses:

- Client Service Manager who does bookkeeping and payroll
- Client Controller that does the tax planning and preparation
- A Client CFO that helps with strategic business advisory

Together, these three experts ensure businesses achieve monthly results that lead them towards their goals.

Marcus's business didn't start that way. "We acquired a tax firm in 2011 and grew it. Then, it came to a point where it wasn't what we wanted to do, and we had to make changes. We had to realize the service lines we were part of weren't what we wanted to continue growing. We had to say no to additional engagements in those service lines."

Marcus took the same methodical, effective approach to making a change as he does to offering his current services. To start transitioning from tax to CAS, he says, he began to raise prices in relation to the amount of value the firm provided. The team also sat down and evaluated their client list, figuring out who wanted a deeper relationship and who didn't (the latter were referred to other firms). "We also sold off service lines, spun off about six or seven



client blocks, and sold our audit practice. That's how we built capacity, raised money, and gave ourselves the time. We paid attention to what was needed." The entire process took about four years.

He and his team encountered challenges that will be very familiar to accountants during the transition: "Everything was very reactive," Marcus said. "We were financially dependent on a once-a-year engagement. We had a successful annual practice, but it didn't provide an even cash flow." He added, "The constant deadlines were another piece we had to plan around."

When it came to successfully making the change from all tax to mostly advisory, "timing was everything." DBA put a new team in place that was easier to delegate to and easier to hire: a team of client service managers who were also accountants and bookkeepers.

DBA quickly found its audience, too. The type of work and advice they offered was attractive to dental, medical, vet, and CPA firms, and their specialty of helping these businesses run better and become more profitable is both in demand and gives them the capacity to take on new clients. While DBA installs its three-person team to help struggling businesses, Marcus explained, it also eventually trains the company owners to run things better themselves, thus leaving open space for new clients. He also took the additional step of making Dillon Business Associates entirely remote—which has only become a recent topic of conversation in the accounting world, but is starting to be seen as yet another [hallmark of modern, future-proof firms](#).

Marcus took a bold, committed approach that's paid off. He noted that his work-life balance has drastically improved. He also brought up a point about future-proofing that's crucial for accountants to hear: It's a constant process. Every year, the DBA team evaluates its workflow and tech stack and curates its client list.

And talking about clients, he and his team offer financial planning and business advisory services—things they're passionate about—to clients they enjoy working with. "We picked our industries based on how much we enjoyed working with them. We're a professional services firm, so we found similarities with our client base. We can understand their pain points. In some ways, our industries are similar. You start to grow your network that way too and meet other potential clients."



Tech Tip

We live in a fast-paced world where people expect 24/7 access to information they need. Make sure you have software, like a [cloud-based client portal](#), that lets you, your staff, and your clients collaborate anytime, anywhere, and on any device. Whether your client is on the go or your staff is working remotely, everyone can stay connected and keep the project moving forward.

Understanding the Modern Client is Key to Evolve

Clients are the most important part of your business, and as Marcus just highlighted, it's critical that you [understand their pain points](#). So, how do you do that, especially as clients' needs continue to evolve?

The New Expectations

Bill Carlino, [Managing Director of Whitman Transition Advisors LLC](#), is a veteran of the profession and a perceptive leader with a keen eye for change. He says, that while primarily Whitman still serves older clients, the firm wants to expand. They're prepared to change.

| “You can’t run a CPA firm like you did in 1980. A lot of people try to do that,” Bill says.

“A lot of older clients aren’t tech savvy. They don’t take advantage [of technology]. They’re very old school.”

Modern clients couldn’t be more different; that’s the next thing Bill points out. Gen X, Millennials, and Gen Z: We love technology. Bill says that modern clients are not looking for tax and audit services. Instead, he cites “cybersecurity, IT maintenance, and wealth management” as being in high demand in terms of client advisory services. He cited one client who wanted the CPA firm to help with penetration testing and malware prevention—things you’d associate with IT rather than accounting.

“Clients are more knowledgeable, aware, and demanding today. They have more resources at their disposal. They know what they want. They can look and see if you’ve been censured or have judgments against your firm. They want the firm they work with to provide as many services as possible. The more services you offer, the harder it is for them to go look for another CPA firm.”

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The Ironic Pain Point

When asked what modern clients' biggest pain point is, [System Six CEO Chris Williams'](#) answer was rather ironic: It's....technology. Specifically, one point is that technology has made communication faster and easier than ever, and it can sometimes be detrimental.

"We have clients who provide feedback and just riff off five emails. High-volume clients can come with even higher-volume communication," Chris explains. Fortunately, he and his team found an effective solution: Set boundaries. They tell clients that they'll get back to them within 24 hours; instantaneous responses shouldn't be expected.

The second pain point was surprising. Bill Carlino pointed out that today's clients are technologically savvy, but Chris noted that this literacy sometimes has a downside.

Because clients are technologically capable, "sometimes they hop into the product and do something on their own," he said. "And then, they sometimes make mistakes, and we have to go in and clean them up." (He recommended a helpful deterrent to this behavior: Remind clients that mistakes caused by them are not included in the retainer, and they'll be billed for the time the team spent fixing something they didn't have anything to do with.)

The Need For More Diverse Services

While the example of the client who wants a CPA/IT expert might seem a bit daunting, Bill's assessment offers a starting point for those looking for ways to evolve.

And, as you'll see in this whitepaper, the needs of modern clients have created more diversity in the accounting profession. To illustrate this point, we highlight System Six's story on the following page and how they've made a niche for themselves as tech advisors.



Tech Tip

Make sure the software you use to collect, share, and collaborate on documents allows you to set what actions—from view-only to full read/write access—your staff and clients can take. These granular permissions ensure clients or staff don't access confidential documents while preventing them from overriding, editing, or deleting those they can access, depending on your permissions. And, if a mistake does happen, your software should have version history so you can quickly go back to the previous version.

System Six & the Reality of Being a Tech Advisory Firm

Chris Williams is the CEO of [System Six](#), a firm specializing in tech advisory services. Although he works with accountants, Chris himself isn't: He has an MBA from Stanford Graduate School of Business. He offered a unique business-person perspective on growth and CAS that could be the exact reframing accountants need for inspiration.

New-generation business owners want to grow, Chris says. Many of them either took over an aging parent's business or bought a company whose growth rate had slowed, and they're energetic and ambitious. Technology is essential to their needs, and that's where the System Six team comes in. They help business owners set up the right finance app stack—and the software they use is all accounting software (QBO is required for job applicants who want to work at System Six).

"We ask our clients, 'What are you looking to get out of your financials?' Some business owners just want people to get paid and make sure their books are in good order. So, we'll implement a tech stack that fits those needs. Other clients want job costing— "that's really popular right now," Chris notes—and accrual-based financials.

One tip Chris has for professionals looking to offer accounting tech services is to take advantage of online training: Whenever a new version of an accounting software product comes out or an entirely new accounting product enters the market, Chris and his team look for

[educational and instructional materials online](#). "They're often provided by vendors and are pretty easy to find," he says. If they're working with a client who uses, say, ERP software, and it becomes necessary for the System Six team to know more about it, Chris has his team leads reach out to the vendors of those products. "All you need to do is ask if they have training videos for accountants. We collaborate with other vendors all the time," he says.

What are the qualifications he's looking for in his team members? "We mostly look for three things," he said. "We want cloud accounting experience, multi-entity experience—experience working with multiple clients—and we want them to be a good cultural fit. Also, they have to know how to use QBO. We even put them through a test to eliminate people who don't know the product. We spend a lot of money on hiring, more than other firms. But having a great team is the most important thing."

System Six is a unique example of a firm that offers tech advisory services and plans to expand its services lines to become a one-stop-shop for all their clients' accounting needs. Chris mentioned that one of these service lines would be tax planning. But isn't that what everyone is trying to get away from?

"We want to be everything our business clients want," he replied. "We are shooting for scale. It's less about poaching, more about future clients."

What Small and Sole-Owner Firms Need to Know

Larger firms have an advantage over smaller ones when transitioning from tax to advisory. There are thousands of small and sole-practitioner accounting firms in the US, though, and many of them are being left out of the CAS conversation entirely.

Bill Carlino noted that at a recent presentation he'd given to 50 small and solo firm owners, **"80% were unaware of what CAS was."** That's unacceptable."

He's right. As tax and audit become more automated, you leave yourself vulnerable and precarious if you're a small or solo firm owner still doing traditional tax services. True, it's not over yet: Bill commented that many larger firms, to free up capacity for CAS, are outsourcing their traditional tax services or offloading these clients to small firms entirely. However, you're leaving yourself at a very serious disadvantage. "The commoditized client services (i.e. audit, tax) will gradually become automated via encroaching technologies such as blockchain, AI, and machine learning," Bill says.

"And tax clients, as a rule, command lower fees than what I call accounting clients – those who are provided specialized service niches – wealth management, cybersecurity, and HR consulting to name a few. Tax clients are also historically the least loyal of any firm clients as they will often change firms simply because of pricing issues. The more services a firm offers a client, the higher the probability that client will remain with them."

He elaborates: "If a tax-only firm is struggling, an upstream merger might be the only solution to survival. The flip side to that, however, is over the past several years, tax-only firms have fallen out of favor in terms of being viewed as potential M&A candidates with larger acquiring firms."

So, what can you do?



The Impactful Advisor's Tips for Small and Solo Practitioners

Small and solo practitioners need a mindset shift, [Geni Whitehouse](#), Founder at The Impactful Accountant and President of the Information Technology Alliance, said when asked how these firm owners can successfully transition to CAS. “Start like larger firms. Ask different questions. Making the switch from what we’ve always done to what we always wanted to do starts by thinking differently as an accountant.”

Geni’s story is commonly known throughout the accounting profession: She worked at a job for years, too busy to think about whether she enjoyed it. The day she made partner, she quit. Among other things, she uses her experience as an advisor to now teach accountants how to become advisors.

One of the things she teaches: Rather than assuming you know a client’s pain points and end goals, ask them.

Many accounting professionals assume small businesses just want to raise profits and wind up pushing their clients down a path they weren’t necessarily interested in. Taking the time to ask them things like, “What are you trying to do with your business?” and “How can we support you?” will lead to [a better relationship with them](#) and ensure you’re offering services that align with both of your goals.

Additionally, the time for hesitation is over. When asked if she agreed with Bill’s statement that tax prep and audit were on their way out, Geni quickly said yes. “It’s not far out now that will happen. Automation is happening right now. There’s not much to the tax side; we’re not adding much value. [Traditional tax prep] has a relatively short window left.”

If you want to survive, start by [dropping one low-value client, raising your rates, and positioning yourself](#) as a potential partner to the next client who comes through your door. Don’t be afraid to turn away those who don’t want anything more than a tax preparer; instead, hold out for that first advisory engagement. That’ll help fund your growth.

“The first time I meet a prospect, I start asking questions and reset their expectations of the services I can deliver. And I do this with an eye towards having a greater impact.”





She continues, “It gives them huge relief as a client to be asked about what’s working, what isn’t, and what their ideal outcome is. When you start approaching clients like partners, the work won’t feel burdensome to either of you.”

And remember: Change starts with one. Once you drop a low-value client and position yourself as a partner to the next one, things will evolve. And you still have the opportunity to offer tax planning services (although Geni notes that she doesn’t consider those part of CAS) while you transition.

Geni’s method was to create a repeatable process she could use with each potential client. She also made her own happiness a priority. “I used to give my services away,” she recalls. “Now, I only take on the clients who can afford the level of service I want to deliver.”

Geni views advisory as helping people achieve their dreams, including accountants.

Instead of viewing the transition as something time-consuming or complicated, envision it as a way to give yourself the career and life you really want.

“When you start approaching clients like partners, the work won’t feel burdensome to either of you.”

Summary: Four Tips to Evolve into a CAS Practice

Back to the original goal of this whitepaper: Putting the key steps to evolving your accounting firm to a CAS-focused practice that serves modern clients down in one place. We've distilled the information we received into the following four steps.

1. Do an internal audit

Making a change starts by setting out the goals you want to achieve and [examining your firm's strengths and weaknesses](#). Look at service offerings, tech capabilities, team skills, and customer base, and determine which clients you want to keep, which services are your strong suits, and so on. An internal audit is how IgniteSpot—a successful CAS practice with a nationwide customer base—started its journey. [Dan Luthi](#), a firm member for 13 of its 15 years in business, encourages accountants to think about what they want to be.

“Think about the structure of your organization. Some are really focused on culture. For others, clients are the primary piece. Others are much more volume driven. For them, culture isn't the biggest part. They want to produce a really good product and push it out to people.” Whether one of these objectives sounds like you or you have another goal in mind, an internal audit will help you get going in the right direction.



2. Decide if you should take your firm virtual

Accounting firms in both the US and UK are being encouraged to take their practices virtual. Automation and AI have made becoming a digital-only practice extremely viable and advantageous to clients and accounting professionals. Luthi recommends looking at your customer base to decide whether it's right for your firm. Where are they located? “Are they all local? Do they still visit the office? Stick with brick and mortar. That will help you create a more cohesive relationship [with your clients],” he advises. If you don't have a local presence, consider adapting your firm and [taking it entirely virtual](#) as a next step. This will open you up to not only a larger talent pool, but a larger market for clients as well.

3. Transition to the cloud

Offering more and better client advisory services [demands you transition to the cloud](#) if you haven't already. Doing so will provide you with many benefits, including enhanced security—which is extremely in demand amongst clients. You'll also be able to get rid of most of your hardware, as there's no need to store information on-site when you're in the cloud. Furthermore, you and your clients can access their data from any device, anywhere in the world, as long as you have an internet connection. Finally, switching to the cloud will help you save money and increase your firm's performance—firm leaders like Luthi cite making the transition as “essential” to successfully evolving into a high-performing CAS practice.

4. Build the right tech stack

Are you using the latest technology to make things easier on yourself and meet client expectations? It's one of CPA Jason Staats' top recommendations for accounting firm leaders looking to transition to offering mostly (or only) client advisory services. “Firms should invest more resources into developing passive expertise assets that clients can access on their own time. Blog posts, videos, and chatbots can provide clients with 24/7 access to valuable expertise on-demand. These assets aren't a replacement for one-on-one time with an advisor, but they allow clients to get quick answers and advice whenever they need it.”

Even if you're not at the point where you're using tools like Chatbots, the importance of building a solid tech stack and becoming an expert in accounting technology is something most experts in the profession agree is essential.

“Tech allows for greater opportunities and faster response times,” Luthi says. Both of these are crucial to scaling your practice. He notes that your tech stack should contain one or two solutions for each service you offer, rather than 10. All accounting firms will need a good project management tool, [a document management system and online client portal](#), and more accounting-specific tools like payroll software.

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