

# The Biggest Threat to Your Firm

CPA firms face a big challenge over the next 10 to 15 years with their most valuable clients. Various studies suggest 12 million baby-boomer business owners will sell their business and retire, reducing a valuable source of revenue for CPAs.

## The Value of a Business Client

Business owners are valuable clients, generating significantly more revenue than personal clients. The

| Tax Revenue            | Before Sale | After Sale |
|------------------------|-------------|------------|
| Personal (Tax Filings) | \$750       | \$750      |
| Business (Tax Filings) | \$2,000     | \$0        |
| Other Services         | + \$1,000   | \$0        |

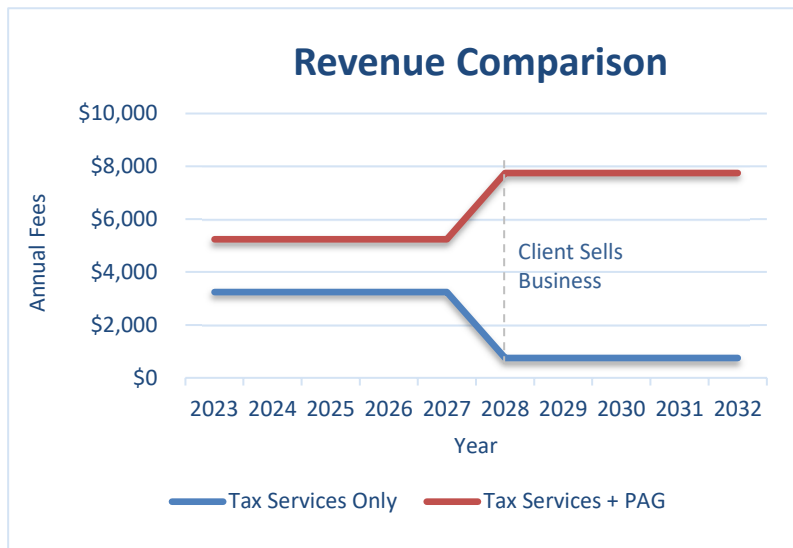
average fees for personal clients are \$500 to \$750 while business clients are \$1,000 to \$2,000 or more<sup>1</sup>. Additional fees for bookkeeping, payroll and

other services further increase a business client’s value. Once their business is sold, the lost revenue is dramatic and may be challenging to replace.

## Professionals Alliance Group

Our Professionals Alliance Group (PAG) Program offers a turn-key solution to expand services you offer to your clients and deepen their relationship with your firm. We provide the expertise and support to deliver a suite of investment and planning capabilities to your clients. At the same time, these services grow your revenue and enhance your firm value.

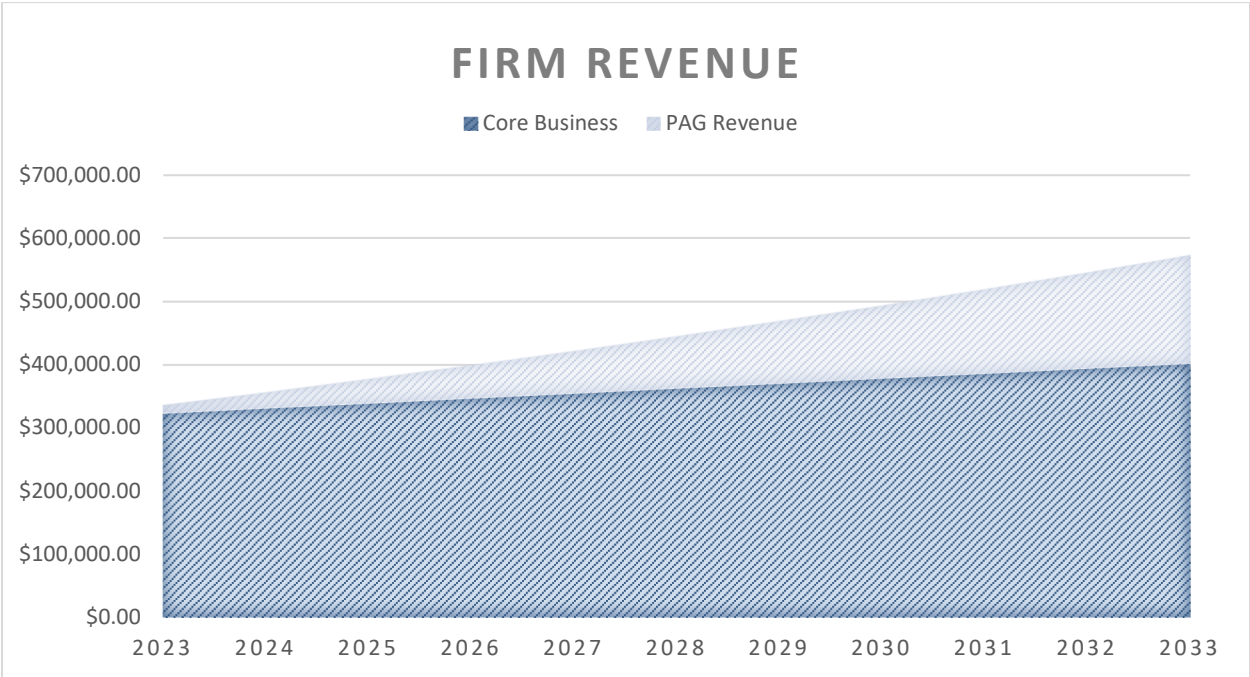
Let’s assume your business owner client currently has \$1mm in investable assets and business worth \$3.5. Under our PAG program, if you were to assume a 1.00% client fee on the \$1mm in investable assets your firm would receive \$2,000 annually in referral fees, 20% of the advisory management fee. When the business is sold, the business owner receives an additional \$2.5mm after-tax. The total account is now \$3.5mm. Your firm’s referral fee revenue increases to \$7,000 annually.



*Example assumes \$1mm in the program assets before sale of business, an additional \$2.5mm after-tax from the sale of the business. 1% client fee, 20% paid to CPA firm as a referral fee. See PAG brochure for additional details.*

# The Power of Recurring Revenue

Our PAG program can have a meaningful impact on your firm’s overall value. In the example below, the firm has core tax-service revenue of \$350,000 annually. It offers investment services to 3 clients per year, for 10 years, assuming \$2,000,000 per client. In year 10, the firm would have approximately \$75mm of assets in the program, generating \$150,000 of recurring revenue for the firm.



How meaningful is the PAG revenue? Investment management revenue is typically worth 3x to 5x, compared to 0.75x to 1.5x for accounting services. For this example, in year 10, the firm’s PAG program is worth over \$450,000.

| Year | Revenue       |           | Enterprise Value |           |             |
|------|---------------|-----------|------------------|-----------|-------------|
|      | Core Business | PAG       | Core Business    | PAG       | Total Value |
| 5    | \$354,375     | \$67,036  | \$354,375        | \$201,000 | \$555,375   |
| 10   | \$393,750     | \$151,865 | \$393,750        | \$455,595 | \$849,345   |

Assumes \$75mm in the PAG program. Core business valuation 1x revenue, PAG program valuation at 3x.

Sources: 1) National Society of Accountants 2020-2021 Income and Fees of Accountants and Tax Preparers in Public Practice Survey Report.

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