# 10 Strategies to Starting Your Accounting Firm

By Troy C. Patton, CPA/ABV
Patton & Associates, LLC

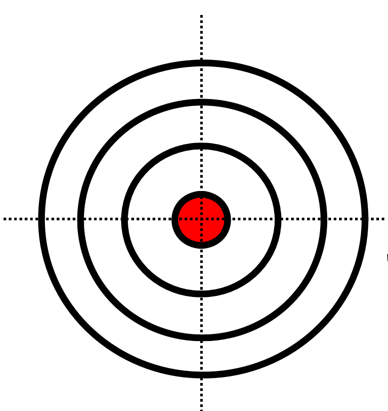
Tens of thousands do it, so starting a practice must be simple and easy... Not so fast. It is fairly simple, but not always easy. There are often detours and road blocks, and you need to know how to address them so they are only temporary. Creating a firm and making it successful are two different things. Anyone can create a firm and hang out their shingle.

Don't mistake the movie Field of Dreams for an Accounting practice. If you build it, they will not necessarily come. Remember there have been thousands before you that have left employment somewhere else and started a practice. Many are successful and many are not. Even those who have been in practice for years or decades are sometimes stretching every nickel to get by.

I understand the allure of creating your own destiny and calling your own shots, but being successful at the same time is the ultimate goal.

Many think building a successful practice takes more luck than skill since most practitioners have similar accounting skills. Nothing is farther than the truth. Luck can be part of it, but I would never rely on it. Professional golfer Lee Trevino once said, "I rather be lucky than good…. But those who practice harder create their own luck." Follow in the footsteps of some of the greatest practitioners who have created proven strategies and processes. This will surely help your luck. The following are ten strategies to ensure you are that much luckier than the next professional:

1 **Define your practice and target market** - Accounting is not much different from other professions in regards to the importance of defining your services and target market.



You may want to start a general practice, a tax practice, offer audits and reviews, consulting, business valuations, etc... Within each of these distinct areas, there are numerous niches to consider as well. You may say to yourself, "I want to start a general accounting and tax practice."

This is great, but who are you going to target? The entire universe? You should probably narrow it down as to what types of clients you are looking for. Do you want individual 1040's, or only those who are associated with a business? Spell out the exact type of practice you would envision owning 10 years from now.

Define your ideal clients and how much you will be making from these clients. If your answer is 50 barber shops and you think revenues will be $400,000. You probably are mistaken.

2 **Know Your Strengths and Weaknesses** - This is very difficult for many practitioners to fully assess their own capabilities. Sometimes we need to check our ego at the door and say to ourselves, "I cannot do audits. I have no background in them, training, or understanding of the audit process." The quicker you can play to your strengths and weaknesses, the quicker you will realize the dream of success.

Know your own limitations in work ethic and knowledge. Seek out others who have successfully built a practice or those who are experts in creating and running an Accounting practice.

3 **Financial Commitment** - One of the most important strategies to understand is to figure out what it is going to take to start a practice. Honestly assessing the necessary financial commitment in the beginning will go a long way in determining the business's ultimate success or failure. The practice you create will not just run on sweat equity alone. It will take some monetary consideration and will likely run in the red until you gather enough clients to cover your overhead.

This is true whether you work out of your home or start with a small office. Phones, software, computers, supplies, etc. are all items to think about. Create a budget for the first 24 months and keep a running cash flow so you know where you are at all times.

4 **Foundation, Plan for your growth and success** - Every house is built on a foundation. At least the ones that last a while. Your practice needs to have a foundation or set of principles by which it will grow and operate.

The strategy needs to be clearly defined. Are you going to acquire a practice? Are you going to grow organically? Which is better? How many clients can you handle before I need to add staff? Laying this kind of framework will surely enhance your chances for success.

5 **Marketing -** Here is a novel idea, we need marketing to survive. The bad part is, most Accountants are accountants, not marketers. Working for another firm and working with numerous clients does not ensure your success. There are many systems sold for Accountants to market their practice. NONE of them ensure your success; they do however guarantee that you can pay money for nothing. Let me explain.

There are marketing organizations who preach that it is cheaper to build than buy. This is not always true. In fact, paying a fat $30,000 to build a $120,000 practice sounds attractive, but when you look at the true cost of these plans you will quickly find most are not what they are cracked up to be. You start by paying $30,000 plus travel and meals to attend a workshop, $24,000 on telemarketing, add $32,000 on a marketing specialist with taxes and you have paid $90,000 before you know it and the only way you get the "guarantee" is if you continue to implement the program when it does not work for you and to outsource telemarketing at a higher cost.

Better yet, if your marketing specialist quits, you rehire one and pay travel for that person to learn the system again. In the meantime, the practice sets back to ground zero. You need to have $100,000 in capital ready to deploy to ensure the success of this type of program. That is cash on hand, not on the come. This is not to say you will not bring in clients, but these clients also have a very high turnover.

The marketing firms account for it, but not fully. These firms do have one thing right. You need to set appointments and go on appointments to bring in clients. I do believe they fill the need of training Accountants how to sell, but they fall completely short in terms of success rates and costs. Obviously some are better than others. Some are practicing just like you and understand some of the nuances while others may not.

6 **Build or Acquire** - Weigh the pros and cons of each. I am asked every day if it is better to build a practice or buy a practice. The answer is simply both. There are pros and cons of each and each strategy carries a certain amount of risk.

I have acquired 12 practices myself and consulted on hundreds and hundreds of practice acquisitions both from those buying through brokers and those buying direct. Most practice acquisitions are done



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direct even though you may see ad after ad of firms for sale by a broker. Acquiring a small practice gives you a bit of scale and they are much easier to get your arms around as opposed to a $400k or $500k practice.

There are many specific items to look for in an acquisition and you need to address each of these to ensure your acquisition is a success. Paying a large amount down without any type of retention beyond one year is a recipe for higher risk and sometimes disaster. Remember to follow the money (commissions) and know the only person working in your best interests is you! Starting a practice through organic client creation as well as buying an existing smaller practice can really create a successful firm in a short period of time.

Whichever route you decide to choose, both warrant a full thought process and written goals and philosophies. Seek out those experts who will help to mentor you. Someone who has thousands of hours of experience in not just selling, but operating a practice.

7 **Pricing** - Create your fee schedule. One of the most overlooked items I hear from individuals who have started a practice is about pricing.

You need to create a schedule of pricing from the services you are offering and have them in your arsenal so you can quickly give prospects a set fee for their services. This will make you appear experienced and will likely help you avoid the "let me get back to you on the cost" scenario. You want to avoid the famous “thinking it over”. You need to know your standard fees in advance.

8 **Value Added Services** - What additional services will your firm offer? I have been to many CPE courses over the years and the class I continue to gravitate to is usually about the firm of tomorrow, or the seven ways to increase profits in your practice.


Once the session is over, I walk away with the same point over and over. Focus on your core services which you have the greatest penetration: Tax and Accounting (for most practices).

However, the lecturers of the course's tone rings true in my ears because they are insisting the practice of tomorrow will not offer everything, but create affiliations with other firms to offer other services or to help them offer those services in a seamless manner. Two of the services that are near and dear to our firm that are mentioned consistently are Asset Management and Business Valuations.

These are expanded services that you can offer by creating simple affiliations with other non-competing firms. Affiliating with trusted partners that specialize in investments and valuations adds value and deepens your client relationships while sparing you the burden of becoming an expert. Most importantly, you maintain control over your client relationships.

9 **Staffing - Do you need additional staff?** Obviously this is one item that may or may not be an issue at the start of your practice. Having good staff is an integral component to a successful practice.

If you do have staff, you will want to make sure they pay for themselves. They need to bring in 2.5 to 3 times (more towards the latter) their salary to make sure you have a profitable practice.

One question we always asked of our staff over the years was their willingness to be adaptable to situations that arise. Clients will need many things, some administrative in nature and some at a higher level. Your staff should be willing and able to accommodate the firm's needs as well as the clients.

You want to leverage your staff to make sure you are working on the practice and not necessarily in the practice. This will create a successful lifetime practice and your bottom line will reflect this as well.

10 **Profits - A successful practice is profitable.** Your practice should have a simple goal of being profitable. How profitable is ultimately up to you. You should shoot for a 40% Earnings before Owner's Comp (EBOC) or higher.. This goal is something you should write on a piece of paper and remind yourself of prior to buying any unnecessary supplies or equipment.

If you are playing football, you should always keep one eye on the end zone, or you may find that you just ran out of bounds prior to even getting a first down.

I hope some of these points are helpful in your future or current endeavor. As a past owner of a successful firm which I started from scratch in a one room office with one client, I am here to help you. I have made many of the mistakes along the way and did not start out with these ten strategies in mind. Fortunately for you, you have a luxury I did not have: A mentor. If you need help with these points or any facet of your practice, we are here to help.

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About us: Patton & Associates, LLC is a consulting firm working with CPA's and Accountants across the United States mainly, but have assisted firms in Canada, Australia, Ireland, the Carribean, and South America. I started my firm in 1996 with one client and went on to organically grow the practice and acquire a dozen other practices. I also started remote offices in contiguous states to Indiana starting again from scratch.

Over the years in our practice, we offered Investment Management, Business Valuations, and Consulting. Since 2006, we exist solely to assist Practitioners just like you to create a better more profitable practice.

We do this through:

- Acquisition consulting (**www.coachpatton.com**),
- Investment Management (**www.archerinvestment.com**), and
- Business Valuations (**www.pattonvaluations.com**).

We would be happy to entertain a quick discussion how we can assist you in your success and offering these additional services while maintaining complete control over your clientele.

Call our offices at **800-800-1776** or email me at **tpatton@coachpatton.com** if you have any questions about this report or would like to discuss ways to grow or manage your practice in a successful manner.

Sincerely,

Troy C. Patton, CPA/ABV

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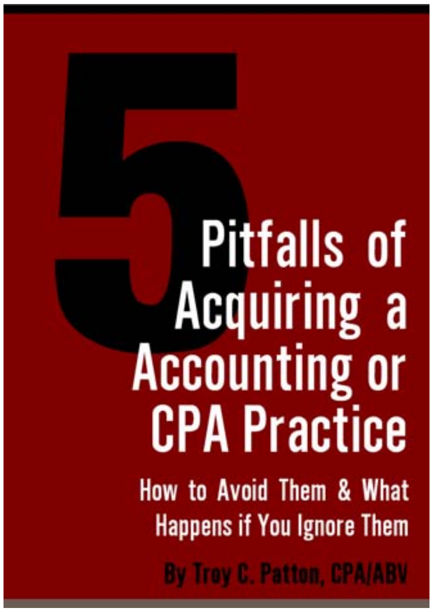


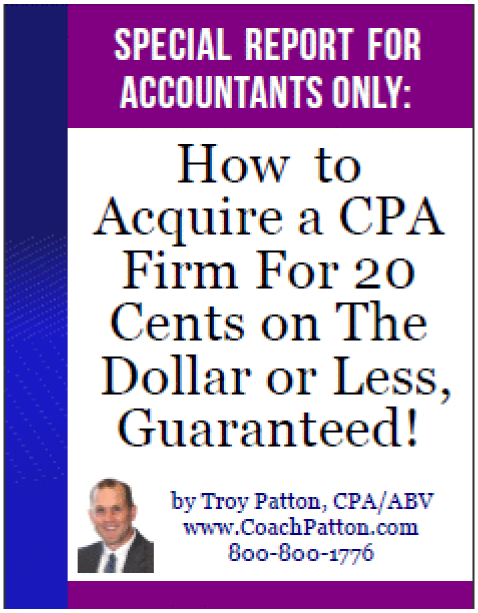





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