



# IN THE KNOW - ADVISORY SERVICES



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# What are advisory services, and what do they mean for your practice?

In our profession, the term “advisory services” is used frequently, but there is little consensus about what it actually means. When we ask multi-service firms which advisory services they offer, the spectrum of responses is incredibly broad and often overlaps with traditional compliance services.



# Why does it matter?

Compliance services are required, and there is very little differentiation in the deliverable between practitioners. A tax return or financial statement usually looks the same no matter who prepared it. The fact that most firms include the exact same compliance description on client invoices reinforces that there is nothing special about the compliance report.

Conversely, the advice, expertise, planning and strategy that went into the process before the report was created are very differentiated. Advisory services grow from our unique experiences and expertise, and are the secret sauce that creates value for our clients.



# Defining advisory services

The AICPA defines advisory services as those services where the practitioner “develops findings, conclusions, and recommendations for client consideration and decision making.” AICPA further provides examples of advisory services that include “an operational review and improvement study, analysis of an accounting system, assistance with strategic planning, and definition of requirements for an information system.” This is helpful, but this definition feels more formal and narrower than how practitioners describe advisory services in their firms.

Compliance and advisory services are interdependent — advisory services requiring a foundation of current, accurate books to provide actionable insights. While the suite of compliance services is constant across firms, the offering of advisory services tends to be personalized for each firm. Without a clear line of demarcation between services, some firms deliver advisory services while getting paid for compliance work.



To better define advisory services, here's a comparative analysis to illustrate where compliance ends and advisory begins.

## Compliance

## Advisory

	Compliance	Advisory
<b>Definition</b>	Reports and filings required to comply with regulations	Considering client pain points, finding opportunities, and applying strategic analysis to save money and grow their business
<b>Service Examples</b>	Tax preparation, estimated tax payments, bookkeeping, financial statement preparation, sales tax, personal property tax, taxpayer representation	Tax planning and strategy, onboarding and training, management reporting, cash flow analysis, key performance indicator, industry benchmarking, process automation, budgeting, goals, etc.
<b>Deliverables</b>	Compliance reports are the primary value, delivered and invoiced as services are rendered.	Expert visions and strategies are the primary value as part of a subscription-based invoicing. Compliance reporting is simply a byproduct of thoughtful advisory services.
<b>Workflow Attributes</b>	<ul style="list-style-type: none"><li>• Deadline driven</li><li>• Historical client records</li><li>• Data entry and formatting</li><li>• Completed by a professional</li><li>• Consistent reporting across the industry</li></ul>	<ul style="list-style-type: none"><li>• Year-round activity</li><li>• Real-time data</li><li>• Automated reporting</li><li>• Collaborative approaches</li><li>• Personalized strategic analysis</li><li>• Consistent communication and education</li></ul>

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