SPONSOR CONTENT

Industry ROUNDTABLE

ACCOUNTING & FINANCIAL PLANNING

PRESENTED BY: Hodgson Russ LLP ATTORNEYS

How are accountants and financial advisers responding to the challenges posed by new technologies? How do you attract and retain young professionals? Is the Baby Boom generation ready for retirement? Law firm Hodgson Russ and Albany Business Review recently convened a panel of 15 local financial industry leaders at the Massry Center for Business at the University at Albany to answer these questions and others. The highlights are below.

How have public accounting and the financial services industry changed over the past 10 to 20 years?

STEVEN BOUCHEY: Technology. In our business, 20, 30 years ago, it would take hours, days, sometimes a week for analysts to get information. Now, within a couple seconds, they have it at their fingertips. Technology also has changed the financial services industry in a major way. The latest being what they call robo advising, where really young people set up investment accounts with firms. They don't get any personal attention and they don't want personal attention.

KEVIN McCOY: That's somewhat related to what we do, too, except the simplified accounting programs today that are out have made our work so much easier because our clients really take on much more of the responsibility for the bookkeeping and the day-to-day operations of the accounting staff.

PAUL CURTIS: Technology allows us to do much more with fewer people. That's great for the firms. It may not be great for the graduates coming out of college. Work that used to take 70 people can now by done by 10 to 15 people.

DOUGLAS BAUER: What I see changing in the financial services is there's a much greater awareness of the cost of doing business in our industry, fee versus commission I dare say. It is not just 20- or 30-year-olds. People who are 50 or 60 are sometimes looking and saying, Why am I paying these costs? Or, What is my value added proposition?

DENNIS FAGAN: We get a lot of clients who try to do it themselves and find that the learning curve is pretty steep, it's pretty costly. And they look for somebody who has the experience and has the knowledge to kind of see the nuances in investing and see where it's irrational rather than just rational.

ALEX TRONCO: The client expectations have changed with technology, that when they e-mail you or send you a text message, they expect that communication to happen very rapidly and quickly. The boundaries of when do I work and when do I not have kind of been eliminated with technology.

INGRID FISHER: Technology has obviously changed the profession radically. But speaking about the profession more broadly, state-wide and nationally, the demographics of the profession are changing markedly. The profession is becoming much more diverse. The average partner age both in the state and nationally is around 56, and retirements are happening. They're being replaced by millennials.

You mentioned the younger people coming in, but are also more women coming in?

INGRID FISHER: They are. Women enter the profession. They don't tend to make it to partner. The partner position still is dominated by males. A lot of that is lifestyle choice and children. However, another thing that's happening in the profession is more and more firms are allowing employees to work remotely, and that is enabling more women to be able to take care of their family and also rise up in the profession.

RON GUZIOR: The entry level folks that we get now tend to need to be trained in accounting, the basic debits and credits. And they need to learn how our companies, how our clients, do our accounting first. It's changed. We used to do practice sets. We had papers and invoices and put them together. Now, with QuickBooks and everything, they've lost that training.

JOHN V. O'CONNOR: They're not doing basic bookkeeping. They don't know the basics of debits and credits and how to post a ledger. That's obviously the basis of everything that we do. If you don't know those basics, it can be a real problem and a real challenge for the firm to train people who haven't had those basics.

INGRID FISHER: We still teach debits and credits. We still use T accounts. In fact, there's no automated software utilized in our intro financial accounting course, our theory, or intermediate courses.

DOUGLAS J. BAUER: My experience in financial services and those of others that we talk to is that education is a broad background. When you get to work, you get to learn how things really work, because each firm has its own way of doing it. You have to then get the on-the-job training. That's why I think internships are so valuable.

PAUL CUDA: I think the reality is, even though the firms have shrunk and we're doing more with less hours but still producing, there's less manpower. We're so compressed with our time. It's finding that balance. I can spend some time with an entry level person, but I could do it myself so much quicker type mentality. And it's getting out of that mentality, to put the proper training in and trying to identify the people that do get the concept and can run with it in short order, and others who unfortunately might not have the DNA makeup for what you're looking for.

Can you talk about how the world of instant investing has affected people's perception and their belief in their ability to make a quick buck, and how you deal with that in your firm?

DAVID POLLITZER: We're very much long-term and cli-

SPONSOR CONTENT

DONNA ABBOTT-VLAHOS

ent-hold and bottom-up investing. And the whole concept of the robo adviser, the concept of having constant access to your technology, particularly from the young client's perspective of the ability to just go and click and sell, click and buy, it's totally contrary to our philosophy of investing. We don't think it's a good thing. Our perspective is more of a 3-, 5-, 10-year horizon, not a 3-, 5-, 10-minute horizon.

Is it strictly a generational thing?

DAVID POLLITZER: The robo adviser concept is very appealing to younger investors. And the reality is, when you look at the numbers – and obviously the concentration of assets is among the older generations – the assets that are flowing into the robo advisers are pretty minimal at this time.

GREGORY BRITTON: Personal Capital, Betterment, Financial Engines, those are the main ones out there. We're going to be offering a platform that's in between robo advisers and the full advisory experience at a reduced cost. I think the firms that are going to still be viable 15 years from now, 20 years from now, have to have some portion of automatic investing. Now it's not going to be the main portion of their business, but I think they have to offer it.

Have you lost clients to robo advisers?

DOUGLAS J. BAUER: No, we haven't. I think it's an interesting issue, and again, the press stimulates a lot of these things to make a story. That's not meant to be an indictment on the press, but that's what happens. There are many people out there that don't want to deal with people. I find that when firms lose clients, usually they're clients they probably shouldn't have had anyway. I say that in all niceness. It wasn't the right fit.

STEVEN BOUCHEY: Thank God the millennials are coming into this business. The financial services business is one where it will never go out of style, out of fashion. We will always need it. These younger people, they just want to go on and basically open up an account here. And a lot of these, Betterment, they're buying whole strategies broad term. There's no personal advice, which they need.

ALEX TRONCO: I think the bedrock is still the relationships and being able to communicate with people and have relationships with them. I don't think it's going to be our issue, but I think if we fast forward 15, 20, 25 years, for those of us that have kids that are 10, 12, 14 years old, they don't ever really talk on the telephone. I just think we have to be careful. I don't think it's going to be our issue, but moving forward, they're going to think differently, they're going to interact differently, they're going to communicate differently.

PAUL CURTIS: We advise all our clients to set up stock trading accounts for their children. At 12, 13, 14 years old, give them an E-Trade account and $1,000 and say, Go invest. The reason being is, most people don't go to financial planners until they realize that they've made a lot of mistakes. By the time they're 18, 19, 20, they've made enough mistakes. That's when they start thinking about financial planning, investments, and so forth.

LAWRENCE KNAPEK: I think the younger generation can improve their business writing skills, their public speaking and their communication skills. I think between the institution and the business sectors, I think we can improve our younger generation in those areas. I think it's very important.

Does anybody want to defend the younger generation?

DAVID WOJESKI: I think the resourcefulness is unbelievable. If you look at some of the activities that's happening in colleges, they're incredible. The knowledge they have, what they've accomplished, is incredible. Their poise is great. There's definitely a downside to texting. If the client wants it, you should communicate that way.

▸ MEET THE PANEL

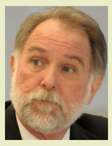
DOUGLAS J. BAUER
Title: CEO
Company: AllSquare Wealth Management

STEVEN BOUCHEY
Title: President
Company: Bouchey Financial Group

GREGORY BRITTON
Title: President and CEO
Company: Atlas Private Wealth Managment

JOHN CRISCONE
Title: Partner
Company: Cusack & Co.

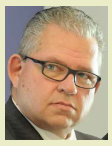
PAUL CUDA
Title: Partner
Company: Cusack & Co.



PAUL CURTIS
Title: Managing Partner
Company: CMJ LLP

DENNIS FAGAN
Title: xxxxxx
Company: Fagan Associates Inc.

INGRID FISHER
Title: Department of Accounting Chair
Company: University at Albany



RON GUZIOR
Title: Partner In-Charge
Company: SaxBST LLP

LAWRENCE KNAPEK
Title: Partner
Company: Knapek Gabriele & Bottini

KEVIN J. MCCOY
Title: Managing Director
Company: Marvin and Co. P.C.

JOHN V. O'CONNOR
Title: Partner
Company: O'Connor & O'Connor CPAs

DAVID POLLITZER
Title: President & COO
Company: Fenimore Asset Management & FAM Funds

ALEX TRONCO
Title: Managing Partner
Company: Northwestern Mutual

DAVID WOJESKI
Title: Managing Director
Company: Wojeski & Co. CPAs P.C.

SPONSOR CONTENT

INDUSTRY ROUNDTABLE: ACCOUNTING & FINANCIAL PLANNING | PRESENTED BY: Hodgson Russ LLP ATTORNEYS

JOHN V. O'CONNOR: Probably every generation doesn't think that the next generation down works as hard as they do. There's a lot of things that the younger generation knows. They're quicker with technology to a large extent than maybe some of us in our later 50s. On the other hand, we have the experience where we have transitioned a number of businesses through generations. So we're adapting as our clients adapt to bring technology and make sure that that work ethic is instilled.

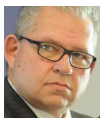
KEVIN McCOY: What we're starting to do is assign a lot more of our staff to the children of our clients. The reality is my clients are aging, too. And their next generation is coming along. My clients are bringing along their children to the business. So the communication skills I'm not as worried about. They're going to be communicating with their own generation. Yeah, the hours are different, the philosophy is different, but they still get the work done.

GREGORY BRITTON: I would agree with Kevin. The millennials and Gen Y, the work ethic is just different. The one thing that does get tiresome is the immediate and constant gratification for millennials. They always want to make sure they're doing a good job. But from what I've seen, if you get the right people that are passionate about what they're doing, they'll work a lot more than some of the older generation will.

DAVID WOJESKI: Our philosophy: You act like an adult and the adult will treat you like an adult. Get your work done. I don't want to manage your schedule. They want flexibility. You have to allow flexibility.

Can anyone offer up a specific strategy that your firm has used to attract and retain younger professionals?

DOUGLAS J. BAUER: The younger generation can do more in eight hours than I can do in 18 hours through technology. Folks aren't as motivated by money. The younger generation needs to see the opportunity. How do you become a partner? I think sometimes we're not clear on offering that.



RON GUZIOR: Years ago, we'd bring in interns and we'd call them pre-professionals and they'd be making coffee and getting partners' cars washed and everything. Now, they're on challenging assignments. So they're motivated.

KEVIN McCOY: We went against the grain of public accounting a few years ago and said no Saturday work during tax season. We found that that made a big difference in recruiting people.

DAVID POLLITZER: We have a very significant community and philanthropic orientation in our firm, and that is attracting young people. It's amazing.

LAWRENCE KNAPEK: Our firm offers internships. We also offer flexibility. Tax season is difficult, so our traditional Saturday is not always 8 to 4 o'clock, sometimes it's 8 to 12 o'clock. You find staff sometimes bringing work home.

STEVEN BOUCHEY: Flexibility is huge for the younger generation. And the other thing, we revamped our employee manual to extend as many benefits as we could. We have paternity, maternity, extra extended leaves of absence where we'll pay for that. And it costs us a little bit, but in the long run, if we can keep somebody happy, if we can give them that balance, I think overall that will be good.

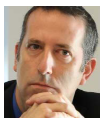
I want to move on to a five-letter word: Taxes. What changes in the federal tax code will have the biggest impact on your clients next year?

KEVIN McCOY: Probably the biggest problem that we have with taxes is that Congress doesn't really give us direction until late in the year. I'm doing tax planning right now with my clients, and I can't really tell them what's going to happen for '15, let alone '16, because there are certain things that still have not been passed.

What about the argument that we need to simplify the tax code, make it three pages long as one presidential candidate is saying. First of all, is that realistic? Secondly, does that put all of your jobs in jeopardy?

KEVIN McCOY: I don't think it's realistic because of the special interests and the lobbying. Even if they did, and they have simplified for a lot of people, there's still forms that need to be filled out. Unless you're a W-2 employee, you know, no investments, very little other sources of income, tax simplification is still going to require the use of us.

PAUL CURTIS: Are they talking about individual taxes, are they talking about corporate taxes, partnership taxes? Nine times out of 10, the politicians are talking about individual taxes. Could they simplify some of it? Yes. Problem is, when you talk about simplicity, I get concerned. The '86 Reform Act killed the real estate industry dramatically in upstate New York. And the industry really still has not fully recovered from the '86 tax reform.



DAVID WOJESKI: Many times, you'll use tax policy to drive public policy. It's not going to be simple. And from our standpoint, a 1040 practice, I think, is going to be a disappearing practice. Because the IRS has most of the information now to file your return. I wouldn't compare it to the pager market, but at some point, the 1040 practice, except for very large individual returns, will probably mostly disappear.

RON GUZIOR: The second part of your question was how would that affect our business if it didn't, and I think most of us are gearing away from that compliance work. You know, tax and audit work has become a commodity, and really a price-driven commodity, so we're all looking to add value.

To what extent you have lost clients who were previously individual filers because they just use Turbo Tax?

DAVID WOJESKI: It's not significant dollars. For us, we look at it as marketing. Going back to the technology, what clients are looking for, they have real-time information. You better be able to add something of value to them, help them grow their firm, succeed, understand the information they're getting. Because I think it's hard to build a firm on just compliance anymore. We used to be very historical. Accounts are historical. They look backwards. Well, we need to look backwards still, but you'd better be current on your information. Be forward-looking on advice.

LAWRENCE KNAPEK: It's not a big number as far as the number of returns you lose to Turbo Tax. Some of them come back because, you know, the tax law changes at the end of the year and they're not familiar with some of the education credits.

DOUGLAS J. BAUER: In answer to your question, I want you to know, Turbo Tax programs still require somebody who knows how to use them. Probably 50 percent of the tax returns we see from people who aren't clients, who want to become clients, have mistakes on the returns. They're paying too much in taxes. And in some cases, they may not be paying enough. The point is that people miss usually more than they ever can save. So I want you to know that technology still requires somebody to have the knowledge and awareness. In my experience, a lot of people don't.

Are there other examples of how firms are diversifying and offering more and more services?

JOHN V. O'CONNOR: I think we've touched upon a number of them. You know my firm is a much smaller firm than a lot of the firms in the room. But we're focused right now on year-end planning, projecting out, looking how the businesses have done this year. I think it goes back to the services that we can bring in, the Turbo Tax situation, that people want our advice. We've been in business a long time. We've been practicing over 30 years, as a number of people in this room have. And we're always looking to what opportunities do our clients have, what opportunities do we have, how do we go forward with that.

KEVIN McCOY: We got involved with Eastern New York Angels. And one of the things that we do is help evaluate the financial side of what they're doing. While we end up in many cases with the tax return, we're also helping them get their systems in place, sometimes their IT systems. And many times, it's more the corporate structure. We'll work with their attorneys and review the documents, make sure they're setting up the right kind of stock options, just the general business things they need to do when they're starting a new business like that.

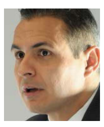
STEVEN BOUCHEY: In the financial services area, our clients engage our services to manage their wealth. We manage about $325 million at the moment. And we do have minimums. We're boutique-ish in a way because I don't want to have a thousand clients that I give a little bit of time to. I want to have a clientele that I can give a lot of time to. So we're going deeper to combat all of the challenges coming up in the years ahead.

LAWRENCE KNAPEK: I think a lot of folks at the table here all grew up traditional accountants or finance folks. But our level, we're now more of advisers of the succession of how you're going to finance things, how you're going to get things to your children. So I think a lot of our wealth around this table is that we're providing more of a bigger picture for our clients and getting involved in consulting, acquisitions, retirement plans, asset portfolios, and quarterbacking to the right advisers.

Do you find that baby boomers are ready to retire, that they've put enough time and thought and planning into it? Or are you getting the anxious phone call from somebody who's 55?

DENNIS FAGAN: I think the biggest change in our industry has been really the extinction, more or less, of the defined benefit plan, and now the planned contribution plans, coupled with 10-year treasury at 2.3 percent and the investor has to shoulder much more risk now than they would have had when interest was 5 or 6 percent on a treasury note.

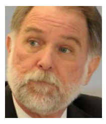
> *'The financial services business is one where it will never go out of style, out of fashion. We will always need it.'*
>
> **STEVEN BOUCHEY,** President, Bouchey Financial Group



ALEX TRONCO: We're living a lot longer now, so if you retire at 55, there's a good chance you're going to make it to 100. So to think that you're going to need income for 40 or 50 years is very scary for most people. And it's hard to project how much money you're going to need. Is inflation going to be 3.2 or 3.8? Are taxes going to go up by 10 percent or 30 percent? But I think because we plan for so much longer, that we're making a lot more mistakes in the plans because there are so many variables.

KEVIN McCOY: A lot of our clients are entrepreneurs and they may be baby boomers who built their own businesses. They just may have become successful, they started out slow, and they're not really ready to give it up. My father picked a date, worked for a bank for 40 years, and that was the day and he was going out regardless. But I think the baby boomers, they've built more, they've done a lot more in their business, and they want to stay in it.

Regulations are constantly growing. They have implications, whether it's financial services or accounting. From the SEC for increased examinations, to Congress that's looking at changing the fiduciary rules with respect to how we serve clients, is that a growth area for you at all in terms of helping your clients meet the growing regulatory burden?



PAUL CURTIS: We're being regulated to death. As an example, we just had the tangible property rates that were issued in January, that were designed to so-called simplify repairs and maintenance and capitalization policy. I think there's 192 pages of regulations to tell us how to do this.

JOHN V. O'CONNOR: You've got all the reporting, everything, it's exploded for this entire room. And it's not just forms. It's just kind of managing that and manage the clients with the foreign accounts. And the identity theft issue is a huge issue. The IRS has been pierced, social security been hacked. It's awful.

We talked about initially firms getting smaller in terms of fewer people to be able to do the same amount of work. On the other hand, you have greater demand from your clients because they have these various regulatory compliance issues. So are firms going to get bigger and you're going to be hiring more people just by virtue of the fact that your clients need more services?

PAUL CURTIS: Well, you're talking about compliance work on one side and consulting on the other. Compliance work, yes, we're doing 10 times as much with a lot fewer people. When it comes to consulting work, you've got experienced people, and it's hard to find experienced people that can do that. And the nature of our businesses are changing. We're becoming advisers and consultants as opposed to pushing numbers all the time.

INGRID FISHER: I think there is an opportunity in the profession. If you're looking at attracting the best and the brightest to the profession, the young students I work with want to help people. And they still don't see accounting and the financial area as something that helps people. It's a marketing problem in the profession. It's an opportunity to better articulate what the profession can do for people and business and how that actually helps advance the interest of society as a whole.

DOUGLAS J. BAUER: I'd like to say something and I'll either be stoned or saluted. You asked about the tax and the baby boomers and the younger people. This Ponzi scheme in this country, which is called social security, the payroll tax is the biggest tax that many people in this country pay. You know what I'm talking about: the 6.2 percent of the $118,000, the 6.2 that the employer puts in, the 15.3 self-employed pays. There used to be 110 workers for every person retired. Now there's four. In a few more years it's going to be two. That is a Ponzi scheme and that is a large problem in this country. People making 120-grand a year, you know what their current social security benefit is? Maybe 40-, $50,000. So when you talk about a tax problem in this country, I would suggest to this group it's payroll taxes, social security system. And I don't know how we're ever going to fix it.