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Picking up the Pieces

CPA Steven J. Johnson, right,
with his son Steven R., at their
new offices in Louisiana.

Photography by Jackson Hill

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PICKING UP THE PIECES



By Stuart Kahan

Life was good until August 29, 2005 when hurricane Katrina hit the gulf coast and changed everyone's life forever," says Steve Johnson, CPA in New Orleans. "The destruction caused by the storm is beyond anyone's belief. There are thousands of people without inhabitable homes and many more with no homes at all, including my son, Steven. He and his wife, Bianca, bought their first home in June 2005 and it was totally destroyed by Katrina. All segments of the economy were affected including tourism, retail, the port, and especially healthcare."

Johnson points out that many of his clients, especially in the medical professions, have been displaced and are now working in other states. "We have made contact with them, or they with us, and most are hoping to return, but housing is a big problem here with FEMA trailers slow in coming. Also, many small business clients that we provide write-up services for are either out of business or barely hanging on. The long-term impact of the storm on my practice is still undetermined."

He relates sadly how the building where his office was located lost the roof. "Water poured in and ruined every-

thing. The building still has not been returned to pre-Katrina status, so I seized the opportunity to move my office across Lake Pontchartrain to Mandeville, La. where I have lived for over 25 years. I now no longer have to commute across the world's longest bridge over water to get to work."

First With Clients' Aid

The storm has affected everyone in a variety of ways, notes Johnson. "Since it hit, we have been inundated with requests for help in completing FEMA paperwork, SBA loan applications, and business interruption insurance claims. Those forms required income information, tax returns, and financial statements going back for several years. Many people had no records due to the massive flooding. Of course, we provided that service at *no charge* for all our clients. We were also able to accommodate clients that needed to make early withdrawals from their retirement accounts under the new tax rules passed for the disaster area. Small business clients that are struggling to make ends meet are still our clients and we are doing everything we can to help them get on their feet. If they can't pay us, that's okay. Thousands of people are still waiting for a FEMA trailer just to have a roof

over their heads. Any help we can provide them is the least we can do.”

Johnson says that he doesn’t anticipate losing many clients since he can still service them via mail or the Internet. “We already do returns in about 30 states for clients that used to live here and have moved on for a variety of reasons, but they stuck with us. We do anticipate getting a lot of new business in our new location due not only to the population increase, but also the new complexities related to the various tax law changes from Katrina. Just about every tax return will have some sort of casualty loss from the storm. That will drive a lot of new tax business to professional preparers.”

New Growth

But at the same time, there has been a dramatic effect on Johnson’s practice in


such investment business because of his close relationship with a broker/dealer.

“I started my practice with a few relatives and neighbors as clients in 1974, after about three years with an international Big Eight accounting firm. I also became certified in that same year. I borrowed \$10,000 on my house and told my wife, Julie, that if I couldn’t make enough to live on after six months I would have to get a ‘real job.’ I have never looked back. The practice evolved like many sole proprietors do—preparing tax returns, write-up (compilations and reviews), and the like.”

He admits that he was trying to be all things to all people, but always felt as if he still wasn’t filling a necessary client need. “Clients who needed investment help, retirement planning, education and estate planning, were being referred to other professionals such as stock brokers and

financial planner to give myself credibility with the public and to fill in the gaps in my knowledge about financial planning issues. It took about three years to complete the course work, but it was well worth the effort.”

About the same time, he says that he received a brochure from H.D. Vest Financial Services® describing exactly the kind of service that Johnson wanted to offer his clients. “I took the plunge. Joining Vest was the best thing that has ever happened to my practice. Not only did they help me get licensed, they taught me the financial planning business. I was amazed at how well received the concept of my offering financial products was received by my clients. I could sense a relief on their part that they didn’t have to go downtown and be sold something by someone they didn’t even know. I had



An investment advisory representative that also provides traditional CPA services.

terms of new investment business. “That area of the practice had been virtually non-existent since the storm, but it is starting to pick up lately. Besides the fact that my old office was destroyed by the storm, we moved to the north shore because that is where the population has shifted. Prior to Katrina, St. Tammany Parish had a population of approximately 200,000. Now it has ballooned to close to 300,000, almost all of which are people from the south shore who have lost their homes or jobs, or both.”

Actually, Johnson is well placed for

insurance people. I was always disappointed with the results, and I know the clients were also.”

He points out that one day a stockbroker to whom he had referred a lot of business called to take him to lunch in order to thank him for a recent referral. Johnson had already written a financial plan for the client, so all he had to do was implement it. The broker told him he had earned about \$12,000 in commissions while Johnson charged the client \$500 for the plan. “I knew I could do better for my clients so I decided to become a certified

already established a trust relationship with them and offering financial products was simply a logical extension of what I was already doing. I even had a widowed client describe me as ‘like having a husband without having to do his laundry.’ Over the years, my practice began to change. I went from a traditional CPA that just happened to provide some financial planning services to an investment advisory representative that also provided traditional CPA services.”

Johnson says he joined Vest in 1988, but it took about four months for him to

gain enough confidence to open his mouth and tell his clients about the new services that he now offered. "After that, the practice took off. Also, being a new financial advisor in the 1990s was pretty easy given the bull market, which really helped cover some of my earlier mistakes. Vest was an invaluable resource in the process. Ever since Wells Fargo acquired Vest, I found I was armed with a new partner that enabled me to offer not only traditional investment services, but also banking products, including home mortgages, lines of credit, and other traditional banking services. It made me very competitive."

Johnson is a registered representative with the registrations 6, 63, and 65. He can transact business with clients in 14 states and is an investment advisor representative licensed in 11 states.

Back on Track

Presently, Johnson offers primarily fee based investment management services as well as traditional CPA and banking services. His staff consists of two full time assistants, a full charge bookkeeper, a CLU, and his son, Steven, who is an EA. "Steven also worked for MFS in Boston for two years and his experience there has been a valuable addition to the practice. It's our tax background along with our investment knowledge that makes us unique. Every time I see a document from a brokerage house that tells the client to please consult their tax advisor I smile."

Although Johnson's practice today is primarily fee-based, smaller accounts are still handled on a commission basis. "That's one of the great things about being affiliated with H.D. Vest. You can be fee-based, or fee only, or banking only, which requires no testing or licensing, or commission only, or any-

thing in between. There is a program to suit just about every scenario."

As for the future of the area, Johnson admits it's difficult to say what will happen. "New Orleans had a population of about 485,000 before the storm. Most experts are expecting the city to return to about 250,000, but that may take several years just to reach that level. Outlying areas, including Mandeville/Covington, where I live and now work, are currently flourishing, but how long it will last is anybody's guess."

As to his practice, he says that with the technology available today, he could be just about anywhere and still provide services to his clients, especially the investment clients. "I suspect New Orleans and the gulf coast will eventually recover, but without adequate levees it's just a matter of time before we get hit again." ■

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