

Seven Things You Must Know Before Hiring a Certified Public Accountant

Introduction

Taxes are fun, right?

And what's even more fun is the fact that tax law is CONSTANTLY changing.

Not just for individuals either- this holds true for both large and small businesses as well.

So unless you like to spend all of your spare time reading about these changes... you probably aren't the most qualified person to manage your finances- especially when it comes to be tax time.

Enter the Certified Public Accountant (CPA). A CPA is an accountant who has met certain educational, experience and test requirements. They're recognized as experts who can do everything from simple bookkeeping to complex tax calculations and returns.

This means that by hiring a CPA, you're protecting yourself from a number of financial setbacks and hiccups.

But even though a lot of people know that, they're still unsure whether or not a CPA is really worth it. That's okay - that's what this report is for.

By the end, you'll not only know *why* you should get a CPA, but also *how* and *where*.

First, let's get started by talking about what a good CPA can do for you.

What Exactly Will a CPA do for Me?

Both individuals and businesses use CPAs every day to help them with their finances. Each and every situation is a bit different, but many things remain the same.

Here are the most common reasons why CPAs are hired:

Tax Preparation

Tax time is stressful- especially if you don't know what you're doing or are extremely concerned about having to pay a large sum to the IRS. Luckily, CPAs are the pros.

Even though there are other ways to do your taxes, hiring a CPA is generally considered as the best if you want to ensure 100% accuracy. Because a CPA knows the tax code and has a lot of experience, they can make sure everything is done right, reducing your risk of an audit from the IRS.

And even if you do get audited, a CPA should help you prepare everything for the audit.

Personal Finance and Investments

Many CPAs are either trained financial planners or just have a natural interest in finance. Their background as an accountant gives them an edge over some of their competition as well.

If you're not sure how to get started with investing or you have some complex issues such as setting up a trust for children or grandchildren- consider talking to a CPA. Even if they don't have a lot of experience in that area, they could at least point you in the right direction.

Because CPAs know how to look at a company's financials to determine its health, they can give some great investment advice. Another example is that they can help you hash out the finances of a rental property or investing in commodities or precious metals.

Auditing

Probably the second main reason that people and businesses hire CPAs is for auditing. The primary purpose of an audit is to make sure everything is being done legally and correctly.

That said, an audit can point out a lot of useful information. It can identify inefficient processes, illegal activities, excessive accounts payable or receivable and more.

Individuals who are seeking an audit are usually trying to make sure everything is correct for their taxes. Either that or they may have a home business, which they include on their personal tax returns. In this case, it's definitely a good idea to have a CPA both audit your finances and help with the tax return preparation.

Counsel

Even though CPAs do a lot of legwork, sometimes they simply act as advisors for their clients. They can provide advice on almost any kind of financial issue you can think of, so they often work with consulting companies or act as independent consulting.

For example, businesses often use a CPA or team of CPAs to help them determine if a new product line could be profitable. They use the CPAs to analyze everything from competition to the various costs to create, distribute and support the product.

Is it Worth the Cost of Hiring a CPA?

This is kind of a loaded question, as the answer is just “it depends.”

Every CPA will cost you a different amount of money and comes with their own set of skills. Sometimes you might save or make more money than you paid- other times you might not.

But generally speaking, CPAs are worth the upfront investment required. Here are a few reasons why.

CPAs Keep You Out of the IRS Crosshairs

A CPA’s advice will make sure that you don’t do anything illegal with your money during the year. As long as you ask for help anytime you consider making a major decision, you’re protecting yourself pretty well.

The same goes for having a CPA file your tax return. They’ll make sure that it’s done right- period. They know the tax game inside and out, so your risks of getting audited due to an incorrect return are slim.

Larger Tax Returns

This doesn’t *always* happen, but it happens enough to make it worth mentioning. Because a CPA knows the tax law and will do a great job on your return, chances are good that you’ll get a higher refund back from the government.

Obviously this isn’t always the case, as many people end up having to pay the government around tax time. But even if you do have to pay, the extra claims that your CPA found should lower the payment you’re sending in by a considerable amount.

Make Investments Last

Before dumping a ton of money into an investment that your cousin told you about, talk to your CPA. Their advice on whether or not it’s a good investment at least gives you a second opinion before you jump right in.

And since they are extremely detailed-oriented, they should be able to find anything that would make you second-guess the investment. In other words- they protect you from making poor investment decisions.

The Real Cost of Debt

Many people don't realize how much debt (especially credit card debt) is costing them until they hire a CPA. A good CPA can look at someone's finances and come up with a good idea of that person's financial health in less than an hour.

This is important because if you may be spending hundreds or thousands of dollars a year on just interest for your debts! A CPA will point that out and help you identify a payment plan to reduce those debts ASAP.

How Should I Go About Finding a CPA?

You have a lot of tools at your disposal when you start looking for a CPA. Generally there are 3 main places to look:

- Referrals from friends and family
- The Internet
- Professional organizations

Here are the advantages and disadvantages of each.

Friends and Family

This has always been our main method of finding out about something. Whether it's a restaurant, hygiene product or new car- we tend to look for help from family and friends.

The good news is that your loved ones can probably point you towards a few different CPAs. This gives you a few names or firms that you can then research a bit more on your own.

You'll also hear whether or not your loved one can recommend that CPA's services. Was the CPA very attentive, knowledgeable and personable? Or were they rude and didn't seem to know what they were doing?

The main downside is that your friends and family may be a bit biased or ignorant. If they've only worked with one CPA, they can't really compare that CPA to anything. Plus if they're recommending someone they care for like a brother or spouse... they're obviously biased and may not see that person's faults as clearly.

The other downside is that you may end up with a longer list of CPAs than you really need. After all, you should be able to find a good one after interviewing just 3-5 different ones.

The Internet

Google and Facebook makes finding a CPA almost too easy these days. Combine that with a tool like Angie's List or Yelp, and it's *extremely* easy to find ratings and reviews on various CPAs in your area.

The main downside about the Internet is that not all CPAs keep a big profile. Some prefer to stay under the radar and work with a small number of clients. In this case, you might not find them if you're only using the Internet to find potential CPAs.

That's why it's best to first talk to friends and family, *then* try to find reviews online. If you find some-great. If not, it's up to you on whether or not you want to meet with that CPA or just move on.

Professional Organizations

Just like most other careers, there are a few professional organizations for CPAs. A good example is the American Institute of Certified Professional Accountants (AICPA). Another is your state's society of CPAs.

These organizations will usually only consist of people who are very devoted to the industry. If you're having trouble finding a good CPA through loved ones or the Internet, a group like AICPA can point you towards a few good CPAs.

What do I need to do to Prepare for a CPA?

The best thing you can do when preparing to meet a CPA is to come with more than what you think you might need. But at the minimum you should show up with financial paperwork concerning the issue that you're meeting with a CPA about.

For example, let's say that you're hiring a CPA to file your tax return. In that case you'd want to come with at least your job's W-2, letters from charities that you donated to, and any forms stating income from your assets.

Or maybe you're seeking personal finance advice or financial planning. In that case, try to bring statements of your assets and liabilities and your pay stubs. You can also bring a draft budget and some kind of idea for when you'd like to retire, what you plan on doing, how much money you think you might need, etc.

The bottom line is that to be prepared to meet with your CPA, you should err on the side of bringing too much paperwork instead of too little. They can't help you very much if you're holding your cards too tight. Instead, let them see what you've got so they can do their job!

If that's scary to you, then maybe hiring a CPA isn't for you. But keep in mind that even though some people think finances are a personal issue- they don't have to be. Your financial worth doesn't mean anything about you as a person.

How do I Choose the Right CPA for My Situation?

Even though all CPAs are knowledgeable, you should try to get a CPA that specializes in situations similar to yours.

Or even if they don't specialize in it, it could be that over the years, they've just tended to work with clients that are in the same boat as you.

To make sure you get the right CPA for your situation, you have to start by asking yourself these 3 questions:

- What do I really need right now financially?
- How did I get to this place with my finances?
- Starting today, where do I want my finances to go in the future?

These may seem silly to some people, but there's a reason why they're there! If you don't even know where you are or where you want to go- how can you *ever* expect to get there?

Once you figure out what you're looking for, the tough part is over! Now you just have to be more specific when you start searching for local CPAs to help you out.

For example, maybe you decided that you want a lot of help with your tax return, and in the future you want to reduce your taxes as much as possible. In that case, you should look for CPAs that do a lot of personal tax returns and financial advice.

Or maybe you're thinking of starting a small business, but you aren't sure how to really evaluate the market or expected costs of the business. In that case, try to find a CPA who advises small businesses on financial issues. If you can find one that even works with businesses in your industry, that'd be ideal!

Perhaps you just want to start some trusts for your children and grandchildren. Since this is something most people don't know much about it makes sense to find a good CPA that has done this plenty of times. They'll not only help you with the financial side, but can also give you the contact information of good financial planners or lawyers if you need their services.

The Interview

Even though finding a few CPAs is great, you need to interview them before you hire them. This is an important part of the process for both you and the CPA where you can discuss your backgrounds, goals and whether or not they seem to mesh.

Keep in mind during these interviews that you don't necessarily want someone extremely personable. A CPA isn't your best friend- they're someone who helps you with your finances. You want someone who is extremely detail-oriented and nitpicky. You also want someone who is willing to speak their mind, even if it doesn't agree with you.

That's because when it comes to finances, you **really** don't need a "yes man." Instead, you want someone that ensures everything is legally sound and accurate.

Does that mean all accountants have to be gruff and unlikable? No- but it does mean that it's better to hire a tough CPA who does a great job than a very kind person who doesn't know what they're doing!

Other Important Questions to Ask a CPA

Here's a list of some great questions to ask a CPA during your first interview. You may think of some others, but this will help get you started.

- **How long have you been a CPA?**
- **How long have you been in the local area?**
- **Are you tech-savvy?**
- **Who are your other clients? Are they in similar situations as myself?**
- **What are your credentials?**
- **Do you hold any other licenses besides being a CPA?**
- **How many continuous education classes do you take each year?**
- **Will you manage my accounts on your own, or with a team?**
- **When are you working? When is the best time for me to reach you?**
- **What is the best way to reach you? Phone? Email? Come to the office?**
- **Is there anything I can do to help you with and keep required fees to a minimum?**
- **Do you see a risk of conflict of interest?**
- **How are your fees calculated?**
- **Do you consider yourself an aggressive or conservative accountant?**
- **What tax program do you use?**
- **Can you tell me about the medical expense reimbursement plan?**
- **Have you ever been convicted of a crime?**
- **If a client filed a complaint against you before, can you explain what happened?**
- **If I want a face-to-face appointment, how far ahead should I reserve it?**
- **Are there any upcoming changes in tax law that might affect me?**
- **How long will it take to finish my taxes?**
- **What makes you stand out from other accountants?**

Obviously the types of questions that you ask will depend on your situation. Most individuals hire CPAs to help with taxes, but you may be in a different boat.

Checklist for Hiring a CPA

Here's a short checklist to follow when you're trying to hire a CPA. Just follow the steps and before you know it, you'll have a great CPA helping you out with all of your financial needs!

- 1. Identify your current financial situation**
- 2. Identify where you want to go/what you need done**
- 3. Compile financial documents (W-2, pay stubs, bank statements, etc.)**
- 4. Ask loved ones for recommendations on a good CPA**
- 5. Use the Internet like Google, Facebook and Angie's List to find reviews on CPAs**
- 6. Set up interviews with 3-5 CPAs**
- 7. Put together a list of questions you'd like to ask the CPA during the interview**
- 8. Complete the interview, taking good notes and explaining your situation thoroughly**
- 9. Compare notes and thoughts on each of the candidates, and hire the best for your situation**

That's all there is to it!

Conclusion

Even though most people use CPAs for tax purposes, don't feel like you need to restrict yourself to that one part of finance. A good CPA can help you do a lot of different things- you just have to ask!

The best thing you can do when looking for a good CPA is just to do a little research. Remember that there's no "perfect" CPA out there, so just hire whoever seems like the best candidate after you've done a few interviews.

Once you've hired a CPA, don't forget to check in anytime you have a question. You don't want to pester them, but don't be afraid to ask questions regarding investments, taxes, business prospects- anything.

Good luck, and please let us know if you have any questions or comments about this report or finding a good CPA in general.