

# Worcester **Business** Journal

## An interview with Herb Alexander of Alexander, Aronson & Finning

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### **Sense as well as money**

Herb Alexander says that in his line of business, a touch of gray hair doesn't hurt. But he doesn't appear to have gotten it from his work. Alexander, who founded Alexander Aronson Finning & Co. PC in 1973, loves what he does - even in an ever-more-demanding financial environment that's seen a 20 percent dropoff in CPA enrollments in the last decade. In this interview, he talks about the impact of change.



**WBJ: How has the financial industry changed since you started? It seems to be more everyone for himself than it was 10 years ago.**

Alexander: It's somewhat more everyone for himself in the sense that accountants are being inundated by sales pitches. CPAs in the financial planning business have become more sophisticated, more knowledgeable and, as long as they keep their objectivity and independence, there is a real need and market for independent thinking as opposed to sales pitches. I think that the tax laws have changed, but beyond that, the old-fashioned method of working in a team with a lawyer, a CPA, a capable insurance person, and a capable stockbroker is important. A business owner has to become a catalyst for this and make sure the team he or she puts together can be cohesive.

**WBJ: He's got to manage that team as if they were his employees, rather than taking direction from them.**

Alexander: That's right. He's got to take a much more proactive role. The CPA used to go along with suggestions of the attorney or the insurance person, but now CPAs realize they have to be a little more assertive. And that's to the benefit of the client, quite frankly.

**WBJ: In what way does the CPA have to become more assertive?**

Alexander: They have to be more analytical, and have the actual numbers and projections of items and be more skeptical of what's presented by other professionals. Insurance companies, for example, have always had a forecast of what's going to happen. The CPA has to remind people that these are only assumptions and we have to bring them a little closer to a more realistic outlook.

**WBJ: Are we getting here into the arena of risk management?**

Alexander: Absolutely. The whole concept of a risk-rated return has come into being. But that's also part of a whole evolution in financial planning for individuals as well as businesses, where we get into much more asset allocation. Before, people would have a single outlook. They might have all fixed income bonds or annuities... the profession generally, not just CPAs, has realized that there are different times when a certain investment, such as real estate, has a good return and other times when it doesn't. There's also a much more sophisticated knowledge of the risk in even equity investments in terms of volatility. And this type of analysis that can be provided by the CPA can be very, very helpful to the client in a holistic way so it's not just in the business but in their personal finances as well.

**WBJ: Today's CPA seems to need a broader understanding of things, not just tax ploys.**

Alexander: That's right. There's always been a disposition to be tax-oriented and that can't be forgotten, but the body of knowledge is growing so quickly it's hard for CPAs to keep up. And the key is to have depth of staff, people whom you can work with.

Unfortunately, the days of the sole practitioner are very difficult. They can compete only if there's a well-rounded team to work with them.

The problem we have is that the costs are getting higher, because there are shortages of qualified personnel willing to put in the time and effort. The demand is there, but the supply is not. So the costs of providing services have increased significantly and will continue in the foreseeable future.

**WBJ: I take it this is not only because of Sarbanes Oxley.**

Alexander: Sarbanes Oxley is a factor, but we're not graduating as many accounting majors as we were 10 years ago. It's down almost 20 percent, while the demand is greater, so there's a terrific opportunity for young people to come into the business and the profession.

I think there's a great outlook for the profession, especially if we can keep to an independent viewpoint of things, we'll be able to be more of the trusted advisor by being more independent. As soon as a CPA begins to sell a product, as some have done, that independence is lost. CPAs can use their independent viewpoint for the benefit of the client, as opposed to trying to sell something to the client. Objectivity is the key to doing a great job for a client.

This interview was conducted and edited for length by WBJ Editor Christina P. O'Neill.