

## Can Debt Management Services Build Your Tax Business?

*The Time May be Right to Reach Out to Your Clients with a Helping Hand!*

As our economic recovery steadily continues, many people are going back to work after lengthy layoffs. In February alone, 209,000 unemployed returned to the workforce, and that follows similar monthly additions in the last quarter of 2011. And even though March job growth ebbed back to 125,000, forecasters predict the monthly numbers will increase throughout 2012 and 13.

While unemployed, many Americans have accumulated significant debt, often using credit cards to pay for basic household necessities so mortgages, utilities, and car payments could be paid with available cash. And as we all know, credit card debt is the most difficult to dig out of since consumers struggle just to pay the high monthly interest rates, leaving the principle debt to continually rebuild interest.

So, as a tax preparer, and more importantly, as a trusted advisor, could it be advantageous to your practice to offer debt counseling services? Especially when stories continue to fill the internet and airwaves warning of so-called “debt consolidation” companies who are ripping people off?

Answer these important questions:

- How many of your 2011 and 2012 1040 returns included an unemployed taxpayer?
- In the last 3 years, how many 1040 returns included a reduction in income?
- How many 2011 tax clients didn't come back in 2012? 2010 clients? 2009?
- Is your local community experiencing an economic uptick in jobs growth?

Based on the answers to these fact-gathering questions, you may want to seriously consider adding “debt elimination and management” to the services you offer. The skills you need to sharpen for such a service are:

1. Household Financial Analysis
2. Creating a Debt Elimination Plan
3. Negotiating Debt Repayment Plans with Creditors

There are many household financial analysis tools available on the internet, and here are just a few that you could use to educate yourself and create templates and checklists for household analyses and budgets:

[\*\*Debt Reduction Planning Tool\*\*](#)

[\*\*Sample Household Budget Form \(Free Download – Excel Format\)\*\*](#)

[\*\*Sample Household Budget Form \(Kiplinger\)\*\*](#)

[\*\*Understanding Credit Card Debt Repayment Plans\*\*](#)

[\*\*Negotiating Credit Card Debt Settlements\*\*](#)

[\*\*FTC Warnings and Suggestions on Handling Credit Card Debt\*\*](#)

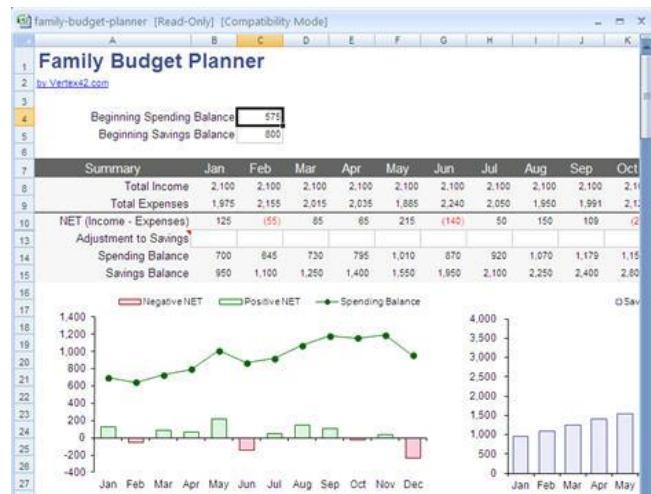
[\*\*GreenPath Debt Solutions: a Credible Non-profit Provider with Multiple Locations\*\*](#)

# About Excel Spreadsheet Budget Form

This is a very good budgeting plan that is easy to use. It is a free download from Vertex42.com. Below are a couple of snapshots of the form:

What we like about this spreadsheet is the flexibility to be as general or specific as necessary in the budgeting process. You can quickly customize it to the needs of each specific client. Be sure to click the link above and check it out for yourself.

# About GreenPath Debt Solutions



GreenPath has been a trusted source for financial experts. It offers excellent informational resources and guides to dealing with various debt situations.

The non-profit company offers free counseling services that you can use to tackle the tricky debt issues you have little or no experience with.

Take some time to visit the site at <http://www.greenpath.com/>

With a little work, you can customize many of these sample worksheets with your company logo and make them available as free downloads from your company website.

You can also develop company brochures using images and snapshots of these resources for use in client mailings and tax folders.

The screenshot shows the GreenPath website homepage. At the top, there is a "50th Anniversary" banner. The main navigation bar includes links for "Client Login / Tell a Friend / Español", "News Room", "Bankruptcy", "About GreenPath", "How We Can Help", "GreenPath University", "Ask The Expert", and "Contact Us". Below the navigation, a banner says "You're not alone. We're here to help." with a phone number "1-800-550-1961". There are four main service sections: "Debt Counseling You Can Trust" (with a "GET HELP NOW" button), "About GreenPath Debt Solutions" (with a "COMPANY INFO" button), "Self-Help Debt Solutions" (with a "FINANCIAL EDUCATION" button), and "Financial Education Resources" (with a "COMPANY INFO" button). Each section includes a brief description and a small image.

## How Do You Charge for the Service?

You should also consider how you would charge for your services based on this client prospect being financially strapped. You can set it up as a primary revenue source by simply charging for what you do, or you could use it to feed into your more lucrative services like tax advisement and preparation, financial planning, etc.

Options for charging could include:

1. Free service for basic budgeting and debt reduction services for existing or returning clients.
2. Charge for debt negotiation services since this would require valuable billing time on your part to render. Give serious consideration to charging a reduced hourly rate for this specific service.

One interesting example we found of a tax firm using this as a “feeder service”:

- Any current client received up to a one hour consultation for free. A recent former client was offered the one hour session for only \$25, while first time clients were charged \$50 for the consultation.
- Prior to the one hour session, the client was provided with a debt analysis form and household budgeting form to complete as best as possible before the meeting. When possible, the forms were e-mailed to the practitioner in advance for a pre-meeting review.
- During the meeting, the client’s contact information was fully updated (names, addresses, e-mails, etc.), and both forms were completed and reviewed. “Red flag” issues were discussed and a debt plan was developed. If a creditor negotiation wasn’t necessary, the parties agreed to the plan and a series of “check in” phone calls and/or e-mails (mostly on a quarterly basis) were scheduled to track progress.
- If creditor negotiation was necessary, a nominal hourly fee was agreed to, and that fee was included in the budget plan to insure a high probability of payment.
- As a show of goodwill and as a way to build additional trust, a \$50 gift certificate good for use on preparation of the client’s next 1040 tax return was included in the service.
- At any opportune time (like when the client had either eliminated or significantly reduced debt to manageable levels), the firm asked for consideration of a referral with an offer for an additional \$25 off a 1040 preparation fee if a referral became a client.

## Concluding Thought

Offering debt reduction and elimination services certainly won’t be a major source of income for your firm, but it can be a valuable service that feeds your primary services, increases your client list, and, most importantly, strengthens the trust clients have for you.

Give it serious consideration.

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