

Looking for Professional Status in All the Wrong Places

by Laura Mattia, Ph.D, CFP®, CDFA, CRPS®

I READ WITH INTEREST the interview between David Yeske and Dick Wagner in the May 2016 issue of the *Journal* (and reprinted in the May 2017 issue as a tribute to Wagner who passed away in March). Wagner was a thought leader, and I agreed with his assessment that, “financial planning done right, is in fact, a profession, but there are an awful lot of people calling themselves financial planners who fall a bit shy of that standard.” He was debating whether financial planning is a profession.

This is not a new discussion, but today it seems more timely than ever. A convergence of circumstances and demographics has created an opportunity in the financial planning profession that we cannot ignore. Shifting societal needs are forecasting an unprecedented demand for professional financial planners over the coming years. The aging population, longevity risk, and the retirement income responsibility shift from employers to ill-equipped employees continue to drive demand.

The U.S. Department of Labor’s Bureau of Labor Statistics, in updating its *Occupational Outlook Handbook*, has

projected an extremely positive job outlook for financial planners with a growth of 30 percent through 2024—much faster than related professions.

University programs are the future of the profession for satisfying the demand for financial planners in both quantity and quality.

Although demand is high, the future supply of quality financial planners is uncertain. Most current financial advisers (some who are financial planners and others who do not profess to be) are over the age of 50 and are thinking about retirement. Only 5 percent of “financial planners” are under the age of 30, according to the Bureau of Labor Statistics. The financial planning community has not invested in the future of the profession and is inadequately staffed to deal with the exodus of seasoned planners as they retire.

Regulation Is Not the Answer

If the financial planning industry accepts the responsibility to satisfy demand, the industry can also use the opportunity to ensure future financial planner quality and professionalism. Consistent with Wagner’s vision, the financial planning profession must identify a mechanism to achieve a universal “standard” of quality. Although adequate regulation could provide the construct, the financial planning profession has failed to induce a standardized regulatory scheme.

Financial planning is done by different types of firms using different formats, sometimes as the primary product and other times as a tool to sell additional products. Many people, including regulators, don’t know the difference between a financial adviser and a financial planner, because the terms are often used interchangeably. Yet financial planners are expected to have specific knowledge to conduct financial planning and provide recommendations consistent with a broad perspective. Regardless of whether they work comprehensively, in relation to managing assets or by project, they have been educated in the body of knowledge identified by expert input on the

practice and emerging trends in financial planning. This body of knowledge continues to evolve and is monitored by CFP Board's Council on Examinations and Job Analysis Task Force, and scientific research disseminated by the academic community. It is this body of knowledge that is used to train future financial planners, test their skills, and provide standards of conduct to achieve client well-being. This knowledge

is uniquely significant and of higher-order, as evidenced by the pass/fail rates of the CFP® examination, which tests for this knowledge.

Without financial planning regulation or standardization consensus, a professional status is questionable, because anyone can claim to be a financial planner. Financial planners who have not received training are ignorant to the practice

standards and the scientific approach developed and fine-tuned over the past 40 years. Lack of adequate educational requirements makes it difficult for consumers to identify high-quality professionals from low-quality non-professionals, creating mixed signals. Without appropriate regulation or an educational requirement, the financial planning industry has experienced fraud, abuse, incompetency, and conflicts of interest.

Literature on professionalism characteristics references a social contract with society, where service to others is governed by a code of ethics and a commitment to competence, integrity, and morality. This definition conjures up an image of reliability, trustworthiness, and accountability; what you would expect from a fiduciary. In other words, a professional is a fiduciary. Again, if we look to regulation, it is as if the Department of Labor attached these attributes to all financial advisers when establishing the new fiduciary rule. However, this regulation's focus is on removing conflicts of interest; it fails to either define financial planning standards or enforce adequate knowledge.

If the financial planning profession continues to focus on regulation, the bigger picture is obviated. Disclosure regulation does not ensure adequate knowledge or adherence to standards. The new fiduciary rule assumes that once conflicts of interest are ameliorated, a financial planner possesses the human capital required to be competent. Many financial planners who operate as sales professionals are unaware of the vast body of knowledge associated with financial planning. They don't know what they don't know. Many erroneously think they are appropriately educated because they passed licensure exams such as the Series 7 and insurance license exams.

The Series 7 exam (the General Securities Representative Qualification Examination) administered by FINRA assesses the ability of an entry-level registered representative to sell securities and variable annuities within the suitability



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standard while adhering to regulation. This exam does not test for minimum knowledge required to make recommendations in a client's best interest. Without this knowledge base, a financial planner has no idea if their recommendation is ideal for the client. Not that it is suitable and isn't harmful, but it is the best choice to improve the client's chance for success.

Leveraging Universities

Because the financial planning community has been unable to influence regulators adequately, an alternative authority could be leveraged. Universities are equipped to define and standardize the profession as an unbiased authority. Although most current financial planners did not enter the industry via university, today university programs are developing a standardized body of knowledge and education for future financial planners. The universities have taken a lead with more than 180 CFP Board Registered degreed programs, yet the financial planning community has not collectively endorsed these programs as a strategic pillar in defining the profession, and instead remains enamored with advocacy focused on changing the regulatory climate.

University programs where the student earns a bachelor's, master's, or doctoral degree in standardized financial planning skills provide salient signals of academic rigor, motivation, and commitment. These programs provide the intense knowledge required to be a profession as they include identified topics required to advise in the client's best interest while expanding the pedagogy to include fintech, effective communication, sales, behavioral finance, economics, financial statements, business law, critical thinking, and decision-making skills.

Students get immersed in the profession through clubs and professional programs, including internships, competitions, and opportunities to test skills and preferences prior to entering the job market. Most importantly, students majoring in

financial planning are highly committed to the profession and are passionate about the impact they can make on society and in people's lives. University programs are the future of the profession for satisfying the demand for financial planners in both quantity and quality.

Financial planning should be a profession that can be achieved with an agreed standard and a social contract ensuring competency. Attempts to influence regulation have proven difficult. Yet, while the Financial Planning Association focuses on regulation, universities throughout the country are creating a standardized knowledge based upon scientific principles that both define the profession and ensure competency. The Financial Planning Association should support these programs as its primary mission. Advocacy, professional development, business success, and community can be energized by the credibility and yes, professionalism, university programs deliver. ■

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FPA Response

THANK YOU for the thoughtful article, Laura. FPA is proud of the community of professionals who comprise our ranks, including the many academicians who, like you, are directing the financial planning and CFP Board Registered programs at colleges and universities across the country. Without you and others in the academic community, the future of the financial planning profession would be at risk.

FPA recognizes the important role the financial planning programs play in fully realizing the future of the profession. We appreciate the opportunities we have to work closely with the Academy of Financial

Services to build the body of knowledge through the co-publishing of *Financial Services Review*, which showcases the research of the academic community. We work with our members to provide financial planning students with mentorship and work with FPA NexGen® leaders to integrate students into the greater FPA community. With that said, the primary focus on our association is on supporting the development of the CFP® professional community and providing them with the resources they need to become exceptional practitioners.

This focus on CFP® professionals has been around since the establishment of FPA in 2000 and will continue to be the primary focus of our work well into the future. By zealously supporting the CFP® marks, we believe we are moving the needle on standardizing the profession to the highest degree possible. The more emphasis that is placed on equating quality, reliable financial planning with CFP® professionals, the more we will achieve the goal of growing the ranks of CFP® professionals, which in turn raises the bar of the profession.

CFP Board and the Center for Financial Planning have made it their role in developing a pipeline of new talent entering the profession and minting CFP® professionals. It is an important mission they have. And while FPA supports them in this critical work, our primary focus is on nurturing CFP® professionals and ensuring our regulatory efforts are conducted in both a short and long-term view and are in line with our "one profession, one designation" policy emphasis.

Know that FPA has an interest in supporting you and the financial planning programs across the country. We look forward to having further dialogue with our partners and academic members in the future while staying true to our primary mission of serving and supporting the more than 76,000 CFP® professionals who comprise this noble profession.

—Shannon J. Pike, CFP®
2017 FPA President