

Does Ripping Off Financial Planner Candidates Mean The Demise of the CFP?

**Only about 25% of CFP candidates ever become planners!
The CFP Board wants to force you to take their courses.
The CFP Board wants to be your SRO. Your only SRO!**

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The financial planning movement that was organized in 1970 by the late Loren Dunton is in the process of significant change. Like the cliché about the frog placed in a pot of cold water sitting on the low-burning stove, the temperature change is gradual, almost unnoticed – but the frog and the CFP are dying! Many financial planners are unaware of changes currently taking place within their profession.

The Origin of CFP

Dunton also founded this magazine. As most readers of *Financial Planning* know, Dunton and his associates recognized that across America there was a need for citizens to assume the responsibility for their own financial independence. Social Security was even then imperiled. Advisors were recognizing that the one career/one employer occupation structure was also dying as result of technology advancements. Dunton realized there was a need for financial advisors to “help persons learn how to spend, save, invest, insure, and plan for the future in order to achieve financial independence.”

There were already advisors doing just this – for example John Keeble, co-founder of FSC in Atlanta, Ed Morrow in Middletown, Ohio, and Ben Baldwin in the suburban Chicago area. These pioneers, and many others in various communities across America, were quite independently of one another inventing the process we now know as “financial planning” by preparing comprehensive plans and charging fees.

What Dunton, and a small group of associates did in a hotel room near O’Hare airport, was create the first institutions for the emerging profession. The first was the Association of Financial Counselors which was later renamed the International Association of Financial Planners (IAFP). “Planners” was later changed to “Planning.”

Dunton also founded the College for Financial Planning in Denver to provide the academic foundation for the profession. Completers of their five (now six) part curriculum were awarded the Certified Financial Planners designation – CFP. Because he correctly believed that the new profession would require more than one institution Dunton traveled to Bryn Mawr and tried to persuade the American College to teach a similar curriculum. The life insurance based institution then considered anything promoting equities to be blasphemous, and so they declined. Later, as the CFP movement gathered momentum the American College developed the ChFC curriculum in 1981.

However, Dunton was successful in persuading Adelphi College (now University) to institute a similar program at its campus on Long Island and Adelphi also started granting the CFP designation.

The CFP Curriculum

The early entrants into the courses offered in Denver and New York were established practitioners. Like Keeble, Morrow, and Baldwin, they already possessed important practice and operational characteristics:

- They were accomplished at client acquisition. The early CFP students already knew how to find and secure new clients.
- They knew how to operate a business – run an office, hire staff, attract associates, meet the payroll.
- They were sophisticated in the use of computers (yes, even in the very early 70s).
- They knew how to sell products, make proposals, and close the deal.

What the early CFP students were all seeking – was academic knowledge. Those from an insurance background desperately needed more understanding of investments. Those from the securities industry needed insurance and employee benefit knowledge. All of them needed more schooling on the time value of money, economics, finance, income taxes and how to balance the conflicting needs of the client.

Therefore, the initial curriculum of the CFP movement was very academically oriented. Practice management, marketing and plan writing were not included. Each academic subject that was taught in Denver or New York culminated with a course exam, just like the typical college degree program.

Expansion

Enrollment was slow at first and then shot up as the very well managed College for Financial Planning promoted its course to investment and insurance organizations. Local classes were offered and organizations like the National Institute of Finance held exam preparation classes nationwide. The CFP courses and texts were gradually improved, but the topics remained essentially the same with each course followed by a 2 to 3 hour exam. All CFP students therefore completed from 10 to 18 hours of comprehensive academic examination.

Meanwhile, the graduates of the CFP program joined the Institute of Certified Financial Planners. The ICFP was non-profit professional association serving only CFP graduates, but doing so very well. It was not just an alumni group, but one that emphasized continuing education and publication.

Conflict Emerges

But the College for Financial Planning and Adelphi University got into a lawsuit over the right to the CFP designation. The very successful and now well-funded College learned during the lawsuit disclosure process that Adelphi had filed some papers earlier than the Denver group. They could very well lose the lawsuit - and the right to their name, their course description and the now well-recognized CFP designation.

A New Institution

A very creative solution to the legal issues was proposed. Both the College for Financial Planning and Adelphi University would cede their rights to the CFP designation to a new entity. The ICFP agreed to do likewise. A new organization was formed in 1985 funded with about \$6 million from the College for Financial Planning. The new group was named the International Certified Financial Planner Board of Standards and Practices – now known as the CFP Board.

The CFP Board immediately granted back to the College and Adelphi the right to offer students a course called a Certificate in Financial Planning, which would qualify the student to become a Certified Financial Planner. However, the designation would be granted by the CFP Board.

The new CFP would pay a small \$50 bi-annual fee to the CFP Board. Any challenges of unethical or illegal conduct would be handled by the CFP Board, and not the ICFP which had largely ignored that responsibility.

Responsibility and Accountability

To whom did these four institutions owe their responsibility, to whom were they answerable? Everyone thought it was quite clear. The College for Financial

Planning and Adelphi University were responsible first to their students to prepare them in accordance with the goals of the curriculum. They were also accountable to the academic review bodies for the proper conduct of their institutions. No problem here, both educational institutions upheld their obligations. Even when the College for Financial Planning was later sold to the for-profit Apollo Group, the twin obligations of responsibility and accountability were maintained.

Likewise the ICFP continued to serve the post graduate needs of the CFP by offering conferences, publications and member benefits. Initially the switch over of responsibilities did not affect the CFP practitioners. Because they were now paying a fee to the CFP Board, the practitioners believed that the new institution was answerable and accountable to them.

Initial CFP Board Operation

For a while the CFP Board continued to focus on serving the needs of the course completers. It granted the designation, reviewed completion of 15 hours of CE yearly, and investigated complaints of ethics or improper action by accredited practitioners.

Expanding the Institutions

To continue the expansion of the financial planning movement the CFP Board then began to license other institutions to grant a Certificate in Financial Services that would qualify the completer for the CFP designation. Rights to offer these courses were granted to both full time student programs (such as Purdue, Texas Tech, Kansas State, Baylor, etc) and to the adjunct programs taught to part time students – many of whom were engaged in another career or in some other aspect of financial services. By 2005 the number of additional programs licensed by the CFP Board had reached 313 programs at 190 colleges and universities. Even the American College succumbed to the financial planning movement, launching a CFP approved curriculum in 1988. Now the American College graduates more CFP financial planning students than for its traditional CLU insurance course, almost 30% of all those who now sit for the CFP exams.

How many persons are completing a Certificate in Financial Planning course every year? The exact number is not known, but the best estimate from the 313 programs is about 15,000.

The course structure mandated by the CFP Board is still essentially the same as in 1971 – academic treatment of six core subjects. The students do not learn anything about marketing, software use, practice management and product sales. These topics are disdained by the CFP Board and they are also aggressively

excluded from eligibility for the 15 hours of CE that are annually required of each CFP.

CFP Board Initiatives

Meanwhile the CFP Board has been making very significant changes, each affecting the direction and development of the financial planning movement in the United States, which has been often mirrored in other countries.

A New Exam

The first step was to create a culmination examination in 1991. This is administered over a two day period, each exam requiring five hours. It is as if a student after completing about forty courses at a traditional university, each with its quizzes, papers and final exams, was suddenly told, “You must now complete ten hours of examination covering the entire four year period of study and if you fail you do not graduate!”

This ten-hour examination is so daunting that a great many of the financial planning certificate completers never even sit for the exam! They never have the opportunity to practice as a CFP. Of the estimated 15,000 certificate completers in 2004, only 6,539 actually sat for the exam and only 3,789 passed. Almost a fourth, 1,527 of those taking the exam, were re-takers. Therefore, of the 15,000 course completers, only about 25% ever become a CFP.

Is this appropriate? Is it in the interest of the profession or the public? Why has the CFP Board taken this approach? The answer may be quite simple – money!

To matriculate for the CFP exam the student must pay \$100. Then the exam fee of \$595, followed by a transmittal fee \$100, plus initial CFP fee of \$360, for a total of \$1,155. This does not include any \$595 exam re-take fee.

But that’s not all. Because the exam is so technical and the questions so artfully phrased, nearly all students take a CFP Prep course. Typical examples are the Keir Educational Resources course that consists of 12 books and sample quizzes at a cost of \$750, and the Dearborn Financial exam prep programs for \$750 and \$1,050.

The CFP Board might say that all of this rigorous testing and fees are not about money, but about setting a high educational standard. But that means they have no confidence in schools such as Purdue, Wright State, Boston College or Georgia State (where they have already reviewed and approved the curriculum).

Five million dollars per year to re-test those completing CFP courses that have already been approved, is a significant amount.

CFP Ethics Procedures

The second departure of the CFP Board has been the way in which it pursues ethics issues. It easily removes the CFP designation from those already disciplined by the courts. It also pursues those sanctioned by regulatory bodies. But sometimes this is an injustice, since many financial advisors, under advice of counsel, enter into a settlement to avoid the high cost of a long process of fighting the challenge. Some regulatory agencies are notoriously punitive – **“You agree to a mild sanction and we will be quick and easy – but if you challenge us we will be aggressive and punitive – take your choice!”**

Some complaints about CFPs are stimulated entirely by competitors who are trying to prompt an impressionable client into sending letters the competing advisor has written for their signature. These are sent to regulatory agencies and the CFP Board as part of the second advisor’s “sale process.” Despite later dismissals by regulators, the CFP Board has often continued to pursue the CFP Certificant.

One Florida-based CFP challenged their attempts to sanction him. In over 30-years of service he had only experienced the one complaint, triggered by another advisor. The insurance commission dismissed the case. The insurance company agreed to reverse the annuity transaction if that was what the client really wanted. No harm done to the client. But his CFP designation was revoked. His initial appeal costs were about \$20,000 plus his time. His appeal was declined and further appeals would have cost him about \$100,000. After consideration he said, “Forget it.” But he, and others like him, aren’t happy.

Continuing Education

The CFP Board has always required a small amount of CE yearly, 30 hours every two years. Initially it was rather simple for the CFP practitioner to complete these requirements. But effective in 2006 all CE must be provided, on a narrow range of topics, by organizations that have been pre-approved and who must submit all student information electronically.

However, the CE requirement remains only 15 hours per year. In a society that is having rapid changes in laws, regulations, taxes, economics and market conditions – how can this possibly be enough? In order to upgrade the capacity of

the financial advisor, shouldn't the CFP Board be focusing on more CE, rather than on the administration of a very small amount of time?

CFP Practice Standards

Fourth, the CFP Board has been busy since 1994 drafting extensive Standards of Practice that all practitioners are required to follow. Do they? The best way to measure this could be to ask a few Certified Financial Planners these questions, in private of course:

Do you really understand all of the ten Standards of Practice that have been published by the CFP Board?

If a lawyer representing a former client was to challenge your compliance with each and every one of those standards, would you feel comfortable that you could defend yourself?

These ten standards represent a serious liability just waiting to happen when some plaintiff's attorney realizes that most CFPs have never tried to orient their practice based on being able to defend themselves on these ten published standards.

The Quest for Governmental Status

Finally, the CFP Board clearly wants to become an SRO – a Self Regulatory Organization. They'd like to be designated by the Securities and Exchange Commission to oversee all the activities of financial planners – similar to how the NASD regulates the conduct of broker dealers and their Registered Representatives.

This would allow the CFP Board to force all persons calling themselves financial planners or delivering a “financial plan” to take the CFP curriculum, pass the rigorous and expensive academic exams, come under their draconian ethics and conduct review process, and comply with their published, but not necessarily practiced, complex standards!

The CFP Board has even hired a veteran Washington politician and attorney, Sarah Ball Teslik who has never practiced as a financial planner or sold an insurance or investment product. As the new CEO for the CFP Board, Ms. Teslik has terminated over 60% of the Board staff, many of whom were dedicated educators and quite experienced in helping the CFP practitioner.

Across the USA I have been increasingly hearing Certified Financial Planners and experienced university financial planning educators complain about the CFP Board. Many are quite angry. Others are disgusted. Some are dropping their designations.

Growing Alternatives

Meanwhile the growth of two other organizations represents a symbol of this growing unrest among financial planners.

In 2002 a group calling itself the Concerned Planners Group started protesting various actions of the CFP Board and how it appeared to be in lockstep with the FPA to exclusively advance only the CFP designation. Later they changed their name to the IAQFP – International Association of Qualified Financial Planners. They claim that 100,000 are eligible to be QFP by virtue of possessing a CFP, ChFC, or CPA/PFS designation or a Masters in Financial Services. The QFP designation also requires only 30 units of CE bi-annually. However only several hundred are dues paying members. But the number of QFPs continues to grow. (www.IAQFP.com)

The International Association of Registered Financial Consultants has a far more significant program. They hold an annual 3-day Financial Advisors Forum, publish both a 24 page monthly news *Register* magazine and a quarterly 160-page academic *Journal of Personal Finance*. They require 40 units of CE yearly, and offer the RFC twelve methods of achieving it with a simplified method of recording. The IARFC has over 5,000 members with classes underway in China, Taiwan, Hong Kong, Malaysia, Philippines, Indonesia, Singapore, Thailand and Greece. They will soon launch a U.S. based course that will include elements omitted from the CFP curriculum: marketing, client engagements, practice management, plan implementation with products. The RFC course will include software and require the submission of modular and comprehensive plans. (www.IARFC.org)

What's Really Dying?

In the title of this article I set forth to describe the “Demise of CFP.” It should really have been stated as the “Death Knell of the CFP Board.” All of the thousands of highly qualified Certified Financial Planners will continue to practice and serve their clients. But more will be doing so without participation with the CFP Board.

Financial Planning as a profession is not dead or dying. Actually, the need for financial advisors has never been greater! Financial planners have been concentrating on the more affluent levels of our society and those reaching

retirement decisions. The largest portion of America is still un-served by qualified financial advisors.

Financial advisors who want greater insight into the ills of the CFP Board and express disagreement with its various past and current positions will gravitate to the IAQFP.

Advisors who are seeking professional support, meaningful CE, quality publications, member benefits and professional collegiality will gravitate to the IARFC.

Members of the FPA, especially those having members of the CFP designation, will continue to enjoy that group's publications, conferences and political action.

Fortunately the three associations are not really competitors and many persons are members of two or more groups – with no sense of conflict.

However I constantly meet planners who believe they should “knock” the associations that they are not members of, while “promoting” associations they are members of.

Who Does CFP Board Represent?

The CFP Board is an endangered species! As it is now constituted, its directors re-elect each other. It claims that it is not answerable to the Certified Financial Planners, but to the public. This is nonsense! All their revenue is derived from the CFP examinations and the recently increased bi-annual \$360 fees paid by those who continue to hold the designation. The public pays nothing into the CFP Board.

When all their money comes from the practitioners, how can the CFP Board claim to be a “public interest” organization? Should it be answerable to the “public” or to the practitioners?

What's the Future?

Yes, the CFP Board controls the CFP designation. For now. How long will it be before more significant numbers begin “voting with their feet” and not renewing their CFP designation?

Let's say it again for *Financial Planning* readers; the need for well-trained and effectively supported financial advisors is still strong. Loren Dunton was right when he said that Americans need persons to help them “spend, save, invest, insure and plan in order to achieve financial independence.” Those advisors need

associations devoted to supporting them and advancing their causes – not representing an expensive obstacle to the expansion of the profession.

Forrest Wallace Cato was the first IAFP Communications Director. He was the third Editor of *Financial Planning* Magazine (when the publication was owned by the **IAFP** before it became the **FPA**) following Loren Dunton and Rich White. Financial planning founder Loren Dunton wrote, “Cato has most likely written more words promoting understanding and acceptance of financial planners than has any other person in history.” Presently Cato edits *The Inspirator International* – the largest circulation English-language magazine in all of the Pacific-Rim countries. The publication is devoted to sales, success attainment, and personal motivation. Cato wrote the *Introduction* to the book *How To Sell Your Way Through Life* by Napoleon Hill. Hill is author of the motivational classic *Think And Grow Rich*. Cato’s e-mail address is **wcato7@juno.com**.