

Unifying and Professionalizing the Financial Planning Segments of the Financial Services Industry

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If a theme can be attached to this paper, it is “One Profession – One Designation!” It is a worthwhile goal for all financial planning organizations to join in unifying the professional segments of the financial services industry into one profession, with one recognized designation or credential, promulgated in the public interest. The International Board of Standards and Practices for Certified Financial Planners, Inc. (IBCFP) has taken several initial steps to focus this effort. Now it is time for equal and enthusiastic participation of all industry organizations.

The IBCFP is an independent board, in the public domain, with stated goals of developing educational and testing standards for CFP candidates; granting the CFP mark to those persons who meet the requirements for certification (referred to hereafter as CFP registrants); promoting high professional standards of practice and ethical conduct; and enforcing disciplinary procedures.

The reasons for using the IBCFP and the CFP mark as unifying elements are several and convincing. First, the CFP mark is a true indication of a professional because the IBCFP grants use of the mark only to those candidates who have fulfilled significant educational and experience requirements and have passed rigorous examinations. Second, the CFP mark is widely recognized by the public as the “mainstream” designation of financial planning professionals. Third, and perhaps most important, the CFP mark is the only financial planning designation that has legal trademark protection. As a result, the IBCFP, which owns the marks, can strongly regulate CFPs by granting or withholding use of the marks. The IBCFP is in an effective position to address the four essential components of professionalism – education, examination, experience and ethics.

Other industry organizations have been approached about using the IBCFP and the CFP mark to unify financial planners professionally. Responses were initially mixed, but the majority have been encouraging. As a result of input from many sources, the following two-phase program is suggested to accomplish unification of the financial planning segments of the financial services industry.

Phase I

Since time is of the essence, Phase I would last no longer than five years (through 1992). During this time a person could become a CFP registrant by meeting all stated IBCFP certification requirements, including successful completion of the CFP Examination. As is currently the case, the CFP Examination would be made available to qualified Certified Public Accountants (CPAs), attorneys (JDs), Chartered Life Underwriters (CLUs), Chartered Financial Consultants (ChFCs), and graduates of IBCFP approved educational programs. It may also be desirable to develop a transfer credit system, which would exempt certain professionals (for example, ChFCs) from taking the entire CFP Examination. In addition, it may be desirable to expand the examination process to make examinations more geographically accessible to qualified candidates. Developing appropriate review materials for examination candidates will be given high priority and such development is currently being done by the IBCFP's contract administrator for the examination.

A possible alternative for Phase I would be to review existing professional designations and educational programs and determine which of these are substantially equivalent to the CFP certification program. Graduates of these programs could then be “grandfathered” as CFP registrants, provided they meet all other requirements.

During Phase I, up to three years of relevant, interactive financial planning and financial services experience would be required. However, the experience requirement would be applied somewhat liberally during this phase compared with Phase II. A continuing education requirement of 60 hours every two years would be required by the IBCFP for those CFP registrants who hold themselves out in “public practice.” The continuing education requirement could be administered by the IBCFP and/or the IBCFP could recognize the continuing education programs of affiliated organizations, thereby generating support from other professional organizations.

Determining which CFP registrants are in “public practice” must also be addressed. To identify these individuals, a census could be taken or an examination given. If an examination is preferable, the IBCFP would develop a “public practitioner” examination as an additional requirement for those CFP registrants who wish to hold themselves out as public practitioners. This “extra” examination would exist only during Phase I.

The International Association for Financial Planning (IAFP) could be approached regarding the possibility of using the IAFP’s Registry of Financial Planning Practitioners’ examination as the initial public practitioner examination for the IBCFP. Likewise, the Institute for Certified Financial Planners could be approached to develop membership categories that recognize the public practitioner category.

It should be noted that strong opposition exists to requiring an additional examination. Some feel that those CFP registrants who have been in practice many years should receive a waiver from the extra examination. Also, there is the view that certain designations (for example, ChFCs) should simply be granted the CFP mark provided other requirements are met. Probably the greatest support exists for recognizing graduates of educational programs which are substantially equivalent to the educational program of the College for Financial Planning. However, this would not preclude using the extra examination to recognize public practitioners during Phase I.

By the end of Phase I, it is assumed that all CFP registrants who so desire will have passed the extra examination in order to hold themselves out to the public as CFP registrants in “public practice.” This would allow up to five years for existing registrants to complete this requirement.

By the end of Phase I, the CFP mark would be recognized as the professional designation for all financial planners. However, a distinction could still be made between CFP registrants holding the marks and CFP registrants in public practice. It is likely, in fact, that entry-level credentials for financial planners will be developed through state and/or federal regulation. If this is the case, entry level recognition would probably become a prerequisite for the IBCFP granting use of the CFP mark. Further, various CFP specialties may be developed in the future, such as “CFP Investment Manager,” “CFP Tax Specialist,” and so on. These possible future specialists are not the subject of this paper, however.

Phase II

Phase II would begin no later than the end of 1992. At this point, a bachelor's degree would be required by the IBCFP as a requirement for CFP certification, with a waiver for existing registrants. Further, the completion of an IBCFP-approved financial planning academic program would be required before a person could sit for the CFP Examination. Each academic institution would be responsible for granting its own form of recognition for completion of its program. As an alternative to the bachelor's degree requirement, a type of "residency" program could be established. In such a program, an individual would work for a certain number of years under the supervision of a CFP registrant while completing a self-study course in preparation for taking the CFP examination. Upon successful completion of the residency and examination, the individual would be certified to use the CFP mark.

The experience requirement would become very structured for CFP registrants in public practice and would concentrate on experience directly related to the financial planner's job. The experience requirement could be one, two or three years. As an alternative, a supervised internship or practicum could be required by the IBCFP as part of the experience requirement, or it could be used only as a requirement for inexperienced CFPs. The continuing education requirement of 60 hour every two years would be continued.

The CFP Examination would be administered at one time over a two to three day period and all CFP candidates would take a practice knowledge examination as part of this process. In short, all CFP registrants in good standing with the IBCFP would be properly trained to engage in public practice. Obviously, some CFP registrants may choose not to engage in public practice as do some MDs, CPAs, JDs, etc. The Registry or similar listing of public practitioners could be maintained, which would require CFP registrants to sign an affidavit that they have met the IBCFP's public practice requirements. Such registration would be mandatory in order for the individual to continue holding himself or herself out as a public practitioner.

Summary

The theme for initiating the process of unifying and professionalizing the financial planning segments of the financial services industry is "One Profession – One Designation!" This process can be implemented using the CFP mark, backed by the considerable legal powers of the IBCFP. The process should be implemented in such a way that the decision to become a CFP registrant involves commitment to be trained for public practice and to meet the continuing education requirements and standards for ethical conduct as set forth by the IBCFP. Furthermore, CFP certification should be regarded as valuable for financial planners engaged in endeavors other than public practice.

If the needs of various industry organizations are considered as the process is implemented, there will be no losers – only winners! A winning situation will have been created for the industry, the profession and most important, for the public. It is apparent that the accomplishment of the goal "One Profession – One Designation" will require the endorsement and support of other industry organizations, particularly the International Association for Financial Planning and the Institute for Certified Financial Planners. These two organizations have a unique opportunity for statesmanship, which will bring them credit and guarantee accomplishment of the goal.