WEALTH MANAGEMENT

With 212 possible designations, what exactly is a financial planner?

By Lynnley Browning May 04, 2021, 4:50 p.m. EDT 13 Min Read

The financial advice industry has 212 reasons to be confused. That's the bewildering number of professional designations advisors use to indicate their expertise in every money issue under the sun, from retirement planning and college savings to insurance and investment funds. The alphabet soup is mystifying for investors. It's baffling for advisors. And it's getting worse.

Anyone can call themselves a "financial planner" or "wealth advisor." FINRA tracks 212 specialized designations, up from 184 only three years ago. Neither the terms nor the industry has a regulator. "One day, we'll see a CGDFS — Certified Good Dude for Seniors," jokes Mike Harris, a professor at the College for Financial Planning, an educational institution in Centennial, Colorado.

The CFP credential (it's not a license) is held by more than 88,600 advisors who have passed the CFP exam. *Bloomberg News*

CFP is the best-known appellation. But it has growing competition from credentials offered by competing education groups, including ones in banking and insurance. And by some top business schools. And by the accounting industry, which is aggressively marketing its Personal Financial Specialist (PFS) label as a complement to the rigorous CPA title held by accountants.

Meanwhile, solid credentials requiring lengthy study and exams are being tainted by legitimate-sounding monikers from a cottage industry of for-profit "institutes" and obscure companies keen to capitalize on the perceived power of an acronym to signal credibility. Registered Financial Planning Professional, or RFPP? Those four letters can be yours by paying $21 a month for a two-year "license" and self-attesting that you are "licensed, registered, credentialed or currently employed in providing financial services to the general public." Who offers the credential, available "in less than five minutes?" Designation Depot, whose website touts "NO testing. NO coursework. NO CEs." That's "the same effort as feeling around for a prize in a box of Crackerjack," says Paul Winter, a CFP, CFA and MBA at Five Seasons Financial Planning, an RIA in Salt Lake City. (Designation Depot didn't respond to requests for comment.)

It's not just shadowy diploma mills that are pumping out credentials, many indicating expertise in a narrow field, like Medicare or aging. The latest entrant from the College for Financial Planning, an educational company: ABFP, for accredited behavioral financial professional.

In this alphabet soup, which titles carry the most weight? Which designations are flimsy, or growing in popularity? What is the future of the gold-standard CFP? Last but not least, as industry players vie for control over the financial planner label, what is the future of the three (sometimes four) letters that — perhaps a quarter of a million Americans use, often in multiples?

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The history behind the titles

'Financial planner' and 'wealth advisor' are generic terms. Nobody knows how many there are. The Bureau of Labor Statistics counts more than 218,000 people working as "personal financial advisors," up from nearly 162,000 a decade ago. Cerulli Associates counts north of 311,000 "financial advisors," only half of them providing actual planning advice. At worst, the appellations can mean a huckster who hangs out a shingle shilling money advice, like a "lawyer" without a JD.

Most advisors work at a broker-dealer (those include Merrill Lynch, Edward Jones, Raymond James, Ameriprise, Schwab and Fidelity, or at independent firms like LPL Financial). Known also as brokers or registered representatives, they're paid to sell their firm's proprietary products, from ETFs to life insurance, and earn commissions. They hold a Series 7 license to trade securities and are overseen by the SEC, a government agency, and by FINRA, a nongovernmental "self-regulator." Brokers aren't held to a fiduciary standard to put client interests above their own. Instead, they hew to a lower "best interest" standard.

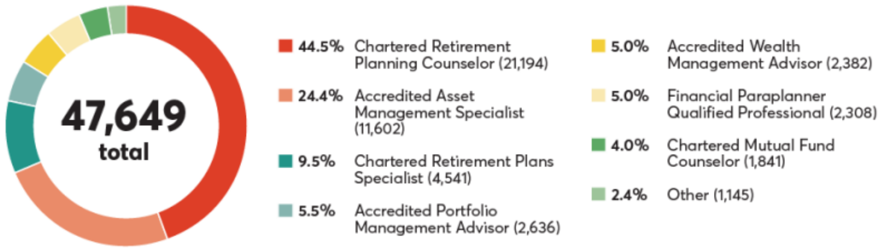
Introduced by the SEC in 2020, Reg BI requires brokers only to disclose conflicts of interests, like commissions for selling a specific fund, and doesn't ban such conflicts — leaving investors to untangle whether they're being milked. FINRA counts nearly 329,000 brokers.

A small clutch of advisors are investment advisor representatives (IAR) and work at a Registered Investment Advisor (RIA), also overseen by the SEC and FINRA. They hold a Series 65 license to provide investment advisory services. Agnostic about selling specific investments, they earn fees, typically around 1 of a client's assets, or a flat fee. These advisors are held to the higher fiduciary standard. FINRA tallies just over 65,000 investment advisors — 20% of Cerrulli's advice-giving group.

Here's where it gets tricky. Some financial planners wear two hats. They're both a representative of a BD, held to the lower standard, and an advisor at an RIA, held to the higher standard. They earn commissions by selling a BD's proprietary products, and fees for financial planning advice rendered through their RIA. So what happens when that hybrid advisor is a CFP? Last year, the CFP Board began requiring anybody using the CFP label to follow the higher fiduciary standard. But hybrid advisors aren't required to do that by their BD employers, and the board can't force BDs to make them transparent. Because the new rule allows advisors to avoid written disclosures of conflicts, they can effectively pinky-promise that all is above board.

The CFP credential (it's not a license) is held by more than 88,600 advisors who have passed the CFP exam. It's granted by one organization — the powerful CFP Board, a nonprofit trade group and lobby. Candidates must have a bachelor's degree and take an accredited course, through one of 155 US colleges and universities ranging from traditional schools to specialized entities like the non-profit American College of Financial Services, known as the American College, based in King of Prussia, Pennsylvania, and the College for Financial Planning (CFFP), which is owned by for-profit Kaplan. In many states, including California, New Jersey and Ohio, those latter two organizations are the only options. Candidates must also have 4,000 to 6,000 hours of professional experience in the field. Holders of a CPA, CFA, ChFC or CLU, all rigorous credentials, can bypass the CFP full course and do a shorter one instead. Only 23% of advisors — barely one in four — holds the CFP title.

The number of people with designations certified by the College for Financial Planning



Source: College for Financial Planning

But a CFP isn't a guarantee of competent or ethical behavior. In 2019, The Wall Street Journal found that nearly one in 10 CFPs whom the CFP Board's website touted as beyond reproach in fact had records of misconduct, from client complaints to crimes like child pornography. The Journal also found that up to 11% of CFPs hoodwink clients on how they're compensated, by marketing themselves as "fee-only" planners when in fact they earn commissions through their firms.

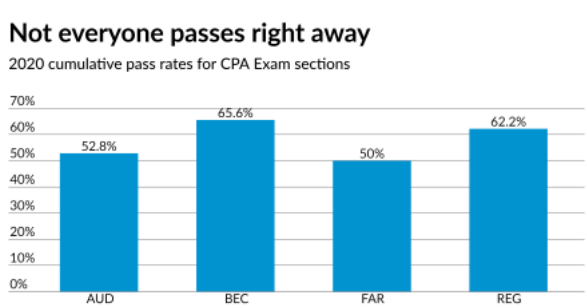
A 'psychological addiction' to credentials

For more than a decade, the industry has embraced what it calls a "holistic" approach, in which an advisor tackles a client's big-picture financial goals of investing, saving, tax strategies, estate planning and philanthropy, from the first-job years through retirement, as opposed to simply recommending a fund or insurance policy.

Most experts regard the CFP and its most-similar competitor, the ChFC (chartered financial consultant), as the most holistic of credentials. But the PFS credential, available only to CPAs, is making inroads since its launch in 2018. The AICPA estimates that while roughly 120,000 CPAs provide some level of financial planning services, 4,400 hold a PFS. All of which makes comparing those three appellations to other respected designations an apples-to-oranges exercise. After all, a CFP or ChFC doesn't necessarily have the audit and tax expertise of a CPA, or the investment portfolio competence of a CFA, or the life insurance knowledge of a CLU.

A string of letters might seem to look good on a resume. And many advisors want additional expertise in specific issues, like retirement income and the psychology of money. Rick Kahler, the president and founder of Kahler Financial Group, an RIA in Rapid City, South Dakota, has what he calls a "psychological addiction" to professional credentials. After his name, Kahler is entitled to sport a CFP, an MS (master's degree in financial planning), a CFT-I (certified financial therapist) and a CeFT (certified financial transitionist). He says that the trend of more credentials "won't stop." Why? Industry and market changes "require new competencies." And the letters "appeal to professionals and educators who want to look professional, with the least amount of effort."

At the same time, there's an analogy to keyword stuffing in search engines. Coach, consultant, certified, chartered — "I honestly think the advisors are as gullible as anybody, thinking if there are more letters after their name, they will be getting more clients, and are thought of more highly," says Robert Kargenian, a CMT (chartered market technician) and the president and co-founder of TABR Capital Management, an RIA in Orange, California.



Source: AICPA

Good advisors agree that strong credentials require academic prerequisites, a hefty course of study over months and sometimes years, monitored tests, an ethics obligation to put clients first and a duty to continue one's education in the field. But more letters, even rigorous ones, don't automatically mean greater clarity for clients or the industry. “I don’t even know what most of these designations or credentials mean,” says Tom Costigan, a CFP at ArborFi Advisors, an RIA in Ann Arbor, Michigan.

Ask 10 advisors which specialized credentials are best after CFP, CPA, CTA and ChFC, and you’ll get 10 different answers.

Some designations that come up frequently:
• AES (accredited estate planner);
• CTFA (certified trust financial advisor);
• AIF (accredited investment fiduciary);
• CIMA (certified investment management analyst), from the University of Pennsylvania’s Wharton School of Business;
• CPWA (certified private wealth advisor), from the University of Chicago’s Booth School of Business;
• CRPC (Chartered Retirement Planning Counselor);
• RICP (retirement income certified professional);
• CPWA (certified private wealth advisor).

Zoom training and open-book tests

Weak designations far outweigh respected ones. And they’re multiplying like rabbits.

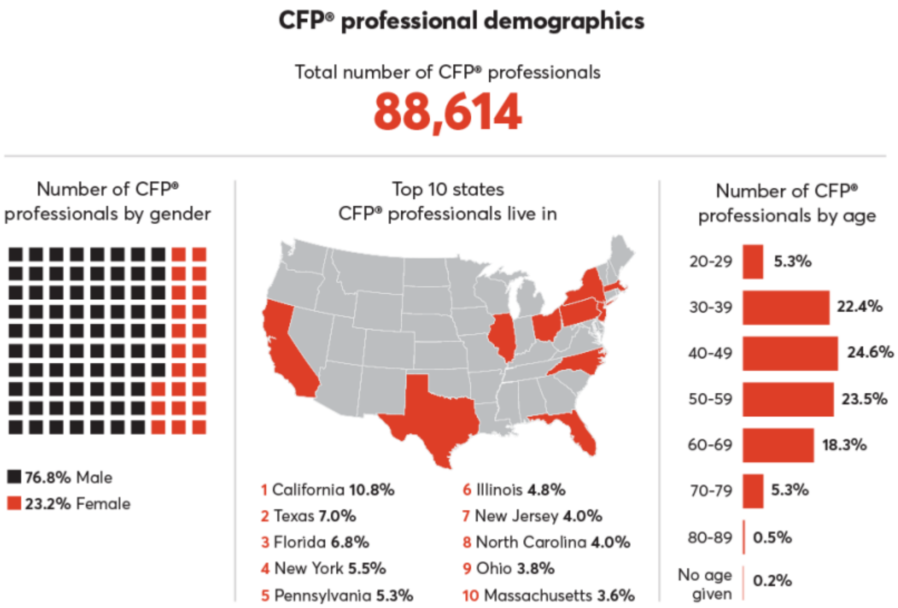
“I continue to be both shocked and confused by the alphabet soup of credentials,” says Rob Siegmann, a principal and COO at Total Wealth Planning, an RIA in Cincinnati. CFPs and CPAs are seeing “their “gold standards being diluted by so many other marks.” Harris says that most credentials represent simply “I went to a Zoom for 30 minutes and paid 400 bucks.”

Take CEPS, for certified elder planning specialist. That’s offered by Plan4Life, for $1,995 ($1,495 if you register early), via a two-day online “workshop” and a non-proctored open-book exam (a 70% score passes.) Or CFC, for certified financial consultant. Its letters sound much like the respected CFP or ChFC. But the appellation can be acquired through unspecified “existing qualifications and experience,” including three years “in the financial profession,” and by paying a one-time fee of $480, plus an annual $70 membership fee to the Institute of Financial Consultants, a company registered in Delaware and Canada. No study or exam required.

Kevin Keller, the CEO of the CFP Board, says that two trends — specialization and what he calls “quick and easy” tricks to build a practice — are driving the proliferation. He compares squishier titles to junk-food Twinkies, with no nutritional value, and says they tarnish solid credentials. (Keller himself holds not a CFP but a CAE — Certified Association Professional.) But even heavyweight organizations are pumping out niche designations, the value of which some advisors question. Take WMS, for Wealth Management Specialist, offered by the College for Financial Planning. An online course for the designation costs $1,400 and “provides new advisors with a substantial overview of the most critical concepts in financial planning and wealth management, without the rigors” of a CFP.

At the same time, some advisors say the gold-standard CFP label isn’t all roses. Last year, the board made it tougher for consumers to see on its website how a given CFP is compensated — by flat fees, commissions or both. With CFPs who are brokers earning commissions held to the less-rigorous Reg BI standard, the move sparked criticism from advisors that the board had “bowed to the monied interests out there,” allowing “those folks who, really, are simply salespeople to use the [CFP] credential,” says Lane Mullinax, a CFP and CRPS (chartered retirement plans specialist).

The credentialing frenzy has a surreal aspect. That’s because the CFP Board and American College, among others, have their own credentialers — the American National Standards Institute and the National Commission for Certifying Agencies. Strangely, those two meta-credentialers “accredit” only eight of FINRA’s 212 designations. Bizarrely, appellations that don’t make their “accredited” cut include CFA, ChFC and CPA/PFS — all well-regarded labels. “I’m scratching my head on this,” says Skip Schweiss, president of the Financial Planning Association, a trade group and lobby for the industry.



Source: Certified Financial Planner Board of Standards

FINRA says it doesn't approve or endorse any designation. But on required disclosures that brokers and IARs are required to file, there are only five choices of credential to indicate: CFP, CPA, CFA, CIC (certified insurance counselor) and ChFc. "I find it odd that FINRA is so discerning in choosing among designations for its own purposes but allows the following bewildering, and in many cases meaningless, array to be foisted on unsuspecting and easily-misled consumers," Winter says.

Who controls the financial planning industry?

Regardless of where one takes a financial planning course, only the CFP Board can grant the CFP credential. But the board wants the ability to do much more. For more than a decade, it has been seeking to become the official overseer of the entire financial planning ecosystem, with the power to set and enforce rules governing who uses the financial planner and financial planning labels. In an alliance with the FPA and the National Association of Personal Financial Advisors (NAPFA) — both membership associations and lobbies — the board is angling to require all advisors who engage in financial planning to have a CFP. That means that a ChFC, from the American College, could be subject to CFP Board rules. So could a CPA/PFS.

The vision, embedded in the board's December 2019 blueprint for the future of the profession and in lobbying efforts by the Coalition, makes sense to some advisors. "There should be one governing body, in my opinion, the CFP. Period," says Kargenian. "Do you see 15 different alphabets in the accounting industry? I think not." But other industry insiders call it a power grab, with the board lacking the manpower and budget to oversee all financial planners, not just CFPs.

Keller insists that the board "is not in the regulation business." But in the same breath, he says that it aims to grant and uphold the CFP certification "as the recognized standard of excellence for competent and ethical personal financial planning." The board isn't a government agency, so it wouldn't have the regulatory power of the SEC or FINRA. But in its ideal world, it would come very close. "We are committed," says Keller, "to setting and enforcing ethical and competency standards that benefit the public."

Editor's note: This story has been corrected to note that the ABFP is a designation offered by the College for Financial Planning, not by the CFP Board.

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