What Does ‘CFP’ Really Stand For?

By Editor Test *Mon, Aug 27, 2012*

The CEO of the American College took umbrage at the way the incoming CEO of the Financial Planning Association, Lauren Schadle, in a recent news interview, seemed to identify the CFP designation with fee-based planners.

Since reading about the rift between the Financial Planning Association and the American College over the past few days, I’ve been pondering the patchwork universe of titles, licenses, designations, professional associations, distribution channels, product preferences and compensation practices that financial intermediaries must try to navigate every day using their own moral and revenue-maximizing compasses.

In case you missed the recent articles in *Investment News* about the incoming CEO of the FPA or the American College’s response to some of her statements, here’s a quick recap:

On August 22, in a news article, Lauren Schadle, who will be the chief executive of the FPA after the organization meets in San Antonio at the end of September, told reporter Darla Mercado, “We’re putting together action plans that speak to the FPA’s being the professional resource and advocate for CFP (Certified Financial Planner) professionals,” she said. “We believe that one profession and one designation is the best way to build the financial planning profession.”

In suggesting that the FPA is the home of the CFP and represents financial “planners,” Schadle antagonized the leader of the American College. In a press release a few days ago, Larry Barton, CEO of the American College, which offers courses leading to the CFP and other designations, responded sharply.

“No one designation can embrace the full gamut of consumer needs. That is why we believe that consumers must have a choice of quality, reputable designations to select from, including and especially the CLU, CFP, ChFC, CPA, and CFA. While our College is one of the largest providers of courses leading to the CFP credential, I have never met any planner who believes education should be limited to one designation for all planners,” said Barton in a prepared statement.

He continued, “Financial planning shouldn’t be artificially defined as a separate profession. Instead, FPA and other organizations should encourage the process of planning to be used as broadly as possible, regardless of the designations an advisor may choose to pursue. We want planners to have choices. The CFP is an excellent one, as are such marks as CLU, ChFC or CFA, for example. As Ms. Schadle assumes the helm of the FPA, it is my hope that she will think twice about isolating the hundreds of thousands of advisors who don’t fit her criteria,” concluded Barton.

Barton then brought in the compensation issue by raising the fiduciary/suitability question, which is linked to the fee-only/commission division. He doesn’t want anyone suggesting that CFPs who follow the fiduciary standard, work for asset-based fees and belong to the FPA are the only sources of trustworthy financial advice.

Although I consider this controversy to be of the “inside baseball” variety, and while it’s not something I know much about, I have one or two minor contributions to make to the debate. Two weeks ago, coincidentally, there was a discussion about the CFP at the Retirement Income Industry Association “bootcamp” for the Retirement Management Analyst designation in Salem, Mass.

The comments I heard there seemed to echo Barton. It was suggested that it would be self-defeating for champions of the CFP designation to identify it solely with the fee-only, fiduciary-standard world. Doing so could make the CFP a “channel-specific” designation, desirable only for the Registered Investment Advisor/financial planner segment of the intermediary universe.

That might be problematic, it was said, because the RIA/planner segment, with an estimated 22,000 members nationwide, is much smaller than either the wirehouse/brokerage segment (351,000 members) or the insurance agent/suitability channel (1.2 million members), according to RIIA’s data. The sentiment I heard at the bootcamp was: Why would anyone want to shrink the market for the CFP or alienate the existing CFPs in the brokerage and insurance channels?

I can only speculate that the FPA leaders might believe that the brokerage world will continue to migrate away from commissions and suitability and toward the fiduciary standard and non-commission compensation. If so, why not be the first to seize the high ground?

The advisors I know don’t seem to get too hung up on designations. One friend who is a CFP and MBA offers advice on a fee or hourly basis only and recommends only no-load products. Another friend, a CFP and CPA, receives fees for planning and commissions (part upfront, part trail) when he sells variable annuities. Their securities or insurance licenses, not their designations, allow them to charge for advice or transactions, and their personal standards of integrity, not FINRA’s or the CFP Board’s, dictate their ethical choices.

The irony is that most clients don’t appreciate any of these distinctions. A few years ago, the Government Accountability Office established that the average person doesn’t understand the differences between the fiduciary and suitability standards or the CFP and ChFC designations or commissions and fees. To them, it’s a murky alphabet soup, and many of them don’t know whom to trust.

The confusion is probably even more acute in the realm of retirement income planning, where almost any intermediary can fashion him/herself as a specialist, where there are no codified best practices, where acceptable products range from securities to insurance to hybrids like variable annuities, and where meaningful designations are only beginning to emerge. As one advisor put it bluntly, “The public is screwed trying to dig through all the [manure] to find the pony.”

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