FINANCIAL PLANNING STANDARDS BOARD

GLOBAL PERSPECTIVES

The State of the Financial Planning Profession in the "Post-Trust" Era

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MISSION

Financial Planning Standards Board Ltd. benefits the clients and potential clients of financial planners by establishing, upholding and promoting worldwide professional standards in financial planning.

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Introduction

In theory, the 2008-09 global economic downturn should mean that consumers are more focused than ever before on reducing debt and saving for the future. And perhaps they are. But the number of people who use the services of financial planners to help them achieve their financial and life goals continues to be small.

Only 24 percent of those surveyed in a 2009 study released by the UK-based Institute for Financial Planning (IFP) said they had ever sought financial information or advice from a financial planner.[1] In the IFP survey, 37 percent of those polled said they couldn't think of any benefits to using a professional financial adviser, and only six percent said they would likely seek the services of a financial planning professional in the next six months.

A 2009 study released by US-based Certified Financial Planner Board of Standards, Inc. (CFP Board) found that while consumers are concerned about preparing for retirement and managing income once retired, nearly two-thirds of those surveyed do not have a written financial plan.[2] Yet, according to the CFP Board study, those who had a written financial plan felt strongly about the benefits of having a plan, regardless of whether they created the plan themselves or used the services of a professional adviser. In fact, 65 percent of those who worked with a financial adviser to develop a plan said having a written plan was beneficial. These findings echoed a May 2007 research report prepared by Galaxy Research for Australia's Financial Planning Association, which showed that those who used a financial planner were less likely to encounter financial difficulty and were better able to meet regular expenses.[3]

So, while the data shows consumers with a financial plan or a financial planner are better able to manage their finances and deal with financial uncertainty, the message either isn't getting through or people have been turned off to financial advisers due to the

[1] YouGov. (2009) Institute of Financial Planning Financial Planning Survey

[2] CFP Board. (2009) National Consumer Survey on Personal Finance, retrieved November 25, 2009 from http://www.cfp.net/downloads/CFP_Board_2009_National_Consumer_Survey.pdf

[3] Galaxy Research. (May 2007) Consumer Attitudes to Financial Planning

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The "post-trust era," created by the global financial crisis and financial scandals, provides an opportunity for the financial planning community to reach out and educate the public about how a competent, ethical financial planner can help people achieve their financial and life goals.

global financial crisis and the plethora of negative media coverage — about Ponzi schemes, the collapse of financial services institutions like Storm Financial Ltd., investment bank Lehman Brothers Inc., and brokerage Merrill Lynch & Co., Inc., and indeed about the failure of capitalism itself.

Headlines asking, "Who can you trust?"[4] continue to leave financial planners dealing with reputational issues and client anxiety rather than serving the financial planning needs of their clients and promoting the benefits of financial planning and working with a trusted financial planner. Helping people understand the concept of financial planning and its benefits remains a challenge, but the "post-trust era," created by the global financial crisis and financial scandals, provides an opportunity for the financial planning community to reach out and educate the public about how a competent, ethical financial planner can help people achieve their financial and life goals.

And the outreach seems to be already underway in the United States. A US-based TD Ameritrade study[5] conducted in 2009 showed more than 60 percent of registered investment advisers added clients (with 72 percent of new client assets coming from wirehouses and broker-dealers), 68 percent want to increase the size of their firm over the next year, and half gave top ratings to their job satisfaction, even after taking into account the negative effects of the global economic crisis on the financial advisory business.

But to attract clients and be a meaningful part of the financial wellbeing of millions of consumers around the world, financial planners need to step up to their obligation to exercise professional judgment in the service of clients, and to embrace the principles and competency, ethics and practice standards that underlie the professional practice of financial planning.

Are financial planners up to the challenge? Is the financial planning profession part of the solution for what ails economies globally? Is financial planning, in fact, a profession? To answer these questions, let's examine the trends that have driven growth of, and interest in, financial planning over the past 40 years and how these trends have prepared the financial planning community to meaningfully serve the public's interest in the current environment.

[4] McGhee, S. (2009, September 28) Who Can You Trust? Barrons.com, retrieved November 25, 2009 from http://online.barrons.com/article/SB125388795583041069.html#articleTabs_panel_article%3D1

[5] TD Ameritrade. (2009) TD AMERITRADE Institutional RIA Sentiment Survey, retrieved November 25, 2009 from http://files.shareholder.com/downloads/AMTD/782067961x0x322905/C44B9E23-6711-41BF-AE7C-31019FF3E544/Q4RIASurveySummary.pdf

Financial Planning's Path to Professionalism

The world's recent economic upheaval may serve as the single greatest influence on the future of the financial advisory business globally, having inspired fear and a growing lack of trust in the institutions, regulations and advisory models that may have served consumers well in the past. But over the past 40 years, four major trends have helped to drive and shape the emergence of the global financial planning profession as we know it today.

(1) Consumer Demand

As pensions and savings shrink, and as life spans and debt grow, planning for the future has become more urgent due to the increased risk of poor outcomes from bad decisions and a loss of confidence in the financial services industry. And yet, increasingly, people are finding pension programs that used to act as a safety net no longer exist at the same levels as before. In fact, some pension programs no longer exist at all. Mercer's 2009 Defined Contribution Survey[6] highlights the increased global prevalence of defined contribution plans, part of a shift of investment responsibility and risk for retirement planning from corporations to households.

The world population is aging, with the global number of people aged 60 years or over now growing at the fastest pace ever.[7] In more developed regions, the 60-plus population is expected to increase by more than 50 percent over the next four decades, from 264 million in 2009 to 416 million in 2050. In less developed regions, the number is expected to rise from 473 million in 2009 to 1.6 billion in 2050. A 2007 article states, "Many large economies face declines in their working-age populations, and some already have shrinking workforces. Japan, for example, is projected to have a 19 percent drop in working-age population over the next 25 years, followed by a 24 percent drop over the subsequent 20 years. Italy's working-age population will decline by 10 percent over the next 25 years and by a further 16 percent from 2030 to 2050. Shrinking labor forces will be the norm throughout Europe with only a few exceptions.

[6] Mercer. (June 2009) Global DC Survey, retrieved November 25, 2009 from http://www.mercer.com/globalDCsurvey

[7] United Nations. (2009) World Population Prospects: The 2008 Revision, Executive Summary, retrieved November 25, 2009 from http://esa.un.org/unpd/wpp2008/pdf/WPP2008_Executive-Summary_Edited_6-Oct-2009.pdf

> Over the past 40 years, four major trends have helped to drive and shape the emergence of the global financial planning profession as we know it today.

As more individuals and households grapple with issues like longevity, a shrinking workforce, declining wealth and market complexities, the need for competent and ethical financial planners who work in the client's interest becomes even more evident.

Of the large economies, only the United States will see growth in its working-age population."[8]

As a result of the global financial crisis, millions of Baby Boomers (those born between 1946 and 1964) find themselves with diminished wealth or retirement expectations while juggling caring for elderly parents, funding their children's education and planning for their own retirement. A February 2009 report by the Center for Economic and Policy Research showed that the median U.S. household with a person between the ages of 55 and 64 saw its wealth fall by nearly 50 percent between 2004 and 2009.[9] Canadian insurer Sun Life Financial found in August and September 2009 that 65 percent of US workers plan to delay retirement by at least one more year than previously planned, up from 54 percent in a similar survey conducted in December 2008.[10]

But the issue isn't just demographics or the rising cost of living; the complexity of financial products and services has also increased significantly. In an online article called "The Complex Case of Complexity," authors Alvin and Heidi Toffler suggest that economists are now realizing what consumers may already know—that the complexity of the economy contributed at some level to the global financial crisis. And, the authors suggest, consumers weren't the only ones who needed help, because rating agencies and many top-level Wall Street investment sellers also did not understand the complexity of financial products on the market.[11]

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(2) From Transaction to Relationship and Open Architecture

Merrill Lynch/Capgemini's 2009 World Wealth Report found that wealth management firms are moving toward more dynamic, needs-based client service approaches, applying advanced segmentation and analysis to the traditional assets

[8] Hayutin, Adele. (2007) What Global Aging Means for the Workforce, retrieved November 25, 2009 from Stanford Center on Longevity, http://longevity.stanford.edu/myworld/articles/globalworkforce

[9] Center for Economic and Policy Research. (February 2009) Report retrieved from http://www.cepr.net

[10] Sun Life Financial UnretirementSM Index. (2009) retrieved November 25, 2009 from http://www.sunlife.com/us/v/index.jsp?vgnextoid=297ea84faec24210VgnVCM100000abd2d09fRCRD&vgnLocale=en_CA

[11] Toffler, A. and Toffler, H. (2009) The Complex Case of Complexity, retrieved November 25, 2009 from http://www.ihavenet.com/politics/Economy-Complex-Case-of-Complexity-Bernanke.html

under management (AUM) model that was once embraced as industry standard. [12]

"Leading wealth management firms understand that to be successful, their service model must be tailored to the individual needs of the client," said Robert J. McCann, president of Merrill Lynch's Global Private Client Group. "A client-centric service model allows the adviser to provide a better wealth management experience, and strengthens the adviser/client relationship." [13]

And it's not just wealth management firms; many traditional financial service companies are also embracing a financial planning approach. US-based Ameriprise Financial, Inc. reports that its collaborative approach to financial planning resonates with consumers because it gives them practical steps to plan for their goals. [14] The Hong Kong and Shanghai Banking Corporation Ltd.'s claims its goal to be the "one stop financial planning shop, offering a wide spectrum of investment and insurance solutions" is supported by a holistic financial planning approach to help clients understand their financial needs. [15] And South Africa's Old Mutual International believes financial advice and financial planning are integral to investing or buying a financial product. [16]

An outcome of firms' client-centric, relationship-based approach includes a shift toward an open architecture model for providing a broad array of quality products and services to clients.

An outcome of firms' client-centric, relationship-based approach includes a shift toward an open architecture model for providing a broad array of quality products and services to clients. Of some 50 companies studied by US-based Mercer Management Consulting, brokerage and banking firms were identified as the industry's e-business leaders due in part to their emphasis on multiple products, multiple channels and open architecture offering customers ample information and choice. [17]

Whereas in the past consumers might have relied on independent advisers for financial planning, increasingly larger financial services firms are now offering financial planning. But as regulators examine standards of care and conflicts of interest in the delivery of financial advice and products, some are questioning the extent to which financial services firms can combine the delivery of financial planning and financial products.

(3) Regulatory Changes

Traditionally, financial services regulators have tended to be sector specific and to set minimum licensing requirements for practitioners that address knowledge of products, the legal requirements

[12] World Wealth Report 2009. Merrill Lynch/Capgemini, retrieved November 25, 2009 from https://www.us.capgemini.com/DownloadLibrary/files/Capgemini_2009_World_Wealth_Report.pdf

[13] Merrill Lynch/Capgemini. (2007, June 27) News release: Wealth Management Service Models Must Evolve as Needs of High Net Worth Individuals Grow Increasingly Complex, retrieved November 25, 2009 from http://www.ml.com/index.asp?id=7695_7696_8149_74412_79272_79917

[14] http://ameriprse.com/careers/about/our-company/

[15] http://www.hsbc.co.in/1/2/personal/financial-planning/financial-planning-philosophy

[16] http://www.oldmutual.co.za/personal/financial-planning-and-advice.aspx

[17] Out-Law.com. (2000, December 12) On-line financial services struggle to win consumer acceptance, retrieved November 25, 2009 from http://www.out-law.com/page-1261

Regulators see the need to more clearly integrate and coordinate market and intermediary oversight, and to define the concept and practice of inter-disciplinary advice, address financial literacy among consumers, assess levels of competency and ethical behavior among financial advisers, and provide more effective oversight.

associated with those products, and general rules of conduct in a practice area such as banking, insurance or securities. As a result of failures in the financial services sector around the world, regulators see the need to more clearly integrate and coordinate market and intermediary oversight, and to define the concept and practice of inter-disciplinary advice, address financial literacy among consumers, assess levels of competency and ethical behavior among financial advisers, and provide more effective oversight. For countries with a single regulatory authority responsible for the whole financial advisory marketplace, there exists greater opportunity for public-private partnerships between government and professional bodies to oversee the delivery of comprehensive financial planning to clients.

In the last 18 months, a variety of proposals have emerged to protect members of the public during financial advisory engagements.

Compensation as Conflict: In the United Kingdom, the Financial Services Authority's Retail Distribution Review will require payments for financial advice to be through charges set out up-front and agreed with clients rather than by commissions, beginning in December 2012.[18] Australia's Financial Planning Association has suggested a similar approach, calling for all payments for financial planning services to come from the client's account (or the client's own funds) rather than the product provider.[19]

A Return to Monitoring: Although there had been a shift toward principles-based regulation of financial services in the past several years, the global financial crisis may have moved the pendulum back toward a more rules-based approach, complete with monitoring. In Hong Kong, the Securities and Futures Commission (SFC) proposed more stringent rules on the sale of unlisted derivatives and structured products in the wake of losses suffered in the failure of Lehman Brothers Holdings Inc. If passed, the SFC proposal would include new measures to address potential conflicts of interests between intermediaries and consumers and introduce a more regulated disclosure regime related to sales documentation. The proposal could also involve a post-sale cooling-off period during which investors could change their minds and receive a refund. The SFC also requires lenders to separate investment from deposit taking, and that

[18] Financial Services Authority, (June 2009) Distribution of Retail Investments: Delivering the RDR, retrieved November 25, 2009 from http://www.fsa.gov.uk/pubs/cp/cp09_18.pdf

[19] Financial Planning Association of Australia Ltd. (April 2009) Consultation Paper: Financial Planner Remuneration

all conversations related to sales of investment products be recorded.

Entity and Intermediary: The UK Financial Services Authority (FSA) proposed in its 2008 Retail Distribution Review Interim Report that financial advisers should be independent, defined as "operating on a Whole of Market (WOM) basis," meaning financial advisers would need to be able to recommend products from among multiple product and service providers.[20] A June 2009 "Staff Paper on Regulating and Supervising Financial Advisers" by New Zealand's Securities Commission called for an oversight model for regulating and supervising financial advisers that relied on creating Qualifying Financial Entities (QFEs), financial services firms whose frontline compliance role and supervision by the Commission would be central to the effective oversight of financial advisers in New Zealand.[21]

While various levels of regulatory discussions continue in response to the global financial crisis, a few oversight models for financial services intermediaries (including financial planners) are receiving increased attention: (i) co-regulation, (ii) self-regulatory organizations, and (iii) the professional standards body model.

The global financial crisis may have moved the pendulum back toward a more rules-based approach, complete with monitoring.

(i) Co-regulation, a concept recently explored in Australia, called for a shared effort between government bodies and professional organizations to regulate the financial services industry. One proposal called for the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), and key financial services industry organizations to form the co-regulation authority. Australia's Financial Planning Association offered general support for this model, contingent on the type of co-regulation model that would be pursued. In January 2009, the Financial Planning Institute of Southern Africa proposed an approach to the Financial Services Board, suggesting the introduction of a new category of approval for financial planners to establish a co-regulatory regime for financial planning under the Financial Advisory and Intermediary Services (FAIS) Act in South Africa.[22]

(ii) Self-regulatory organizations (SROs), non-governmental bodies with statutory responsibilities to regulate their members, are already in place in the financial services industry in many parts of the world. The idea of creating an SRO to regulate financial planning in the US has met with many questions and generally lukewarm response from financial services industry constituents. A poll conducted in 2008 by the Financial Planning Association (US) showed that 61 percent of respondents would need more information

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[20] Financial Services Authority. (April 2008) Retail Distribution Review Interim Report, retrieved November 25, 2009 from http://www.fsa.gov.uk/pubs/discussion/rdr_interim_report.pdf.

[21] New Zealand Securities Commission. (2009, June 18) Staff Paper on Regulating and Supervising Financial Advisers, retrieved November 25, 2009 from http://www.sec-com.govt.nz/publications/documents/regulating-financial-advisers/index.shtml

[22] Financial Planning Institute of Southern Africa. (January 2009) Proposal to Introduce a 5th Category FSP Licence in FAIS Legislation

While the oversight models may vary, the momentum toward greater protection of consumers and a shared responsibility among industry and regulators for increased practitioner professionalism and ethical behavior is clear all over the world.

before supporting an SRO to regulate financial planners and investment advisers sponsored by the Securities and Exchange Commission, while 23 percent supported the idea and 14 percent opposed it. Asked whether they would support a professional regulatory organization headed by Washington, DC, based CFP Board, 23 percent said they would require more information, while 63 percent supported the idea and 14 percent opposed it. In a variation of the SRO model, Malaysia's move to license financial planners and create two professional regulatory organizations to oversee financial planners was a pioneering move. The Financial Planning Association of Malaysia acts as one of two professional regulatory organizations (the other is the Malaysia Financial Planning Council, or MFPC) that oversee the practice of financial planning in that country. Malaysia was the first nation to require financial planners to be licensed as financial planners (as opposed to by the products they recommend or through related title regulation) in order to be able to practice.

(iii) The Professional Standards Body Model is being advocated by the Financial Planning Coalition, an alliance representing CFP Board, the Financial Planning Association (US), and the National Association of Personal Financial Advisors, to set standards for and oversee financial planning in the US on behalf of the public. The professional standards body would be responsible for setting education, qualification and experience standards, and would establish a fiduciary standard of care for delivering financial planning to the public. In its proposal, the Financial Planning Coalition seeks to provide the oversight board with the authority to enforce its standards and rules, while cooperating closely with other financial services authorities in enforcement matters. In its June 2009 paper, "Distribution of Retail Investments: Delivering the RDR," UK's Financial Services Authority suggested the creation of a similar Professional Standards Board to set and implement higher and consistent standards for the financial services industry in the areas of qualifications, ethics and continuing professional development. In November 2009, Australia's Parliamentary Joint Committee recommended that "ASIC immediately begin consultation with the financial services industry on the establishment of an independent, industry-based professional standards board to oversee nomenclature, and competency and conduct standards for financial advisers."

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(4) Globalization

Strong economic growth in one part of the world can help stimulate growth in other parts of the world, and the global financial crisis has shown that the opposite also is true. The September 2009 McKinsey Global Economic Conditions Survey showed that 49 percent of respondents predict greater integration of financial markets over the next five years, and 32 percent expect to see an increase in capital flows across countries.[23] As markets become more interdependent, Beinhocker and Stephenson (2009) argued that the increased linkage among the world's markets had allowed problems to cascade uncontrollably, but saw as a future best case response to the global financial crisis the introduction of more transparency in the global financial system, greater regulatory and central bank coordination, and improved international approaches to risk management.[24] International Organization of Securities Commissions (IOSCO) Chairman Jane Diplock echoed this theme in a response to the global financial crisis: "The ongoing crisis highlights the importance of addressing stability concerns and reducing systemic risk while continuing to protect investors and promote the fairness, efficiency and transparency of markets."[25]

For the past decade, increased globalization has driven interest in, and demand for, financial planning and the services of qualified financial planners who can serve firms and clients across borders. While no statistics exist on the exact number of financial planners providing cross-border services to clients, the market for cross-border planning appears strong. The number of US expatriates alone is staggering. For example, the Association of Americans Resident Overseas estimates the number of US citizens not affiliated with the US government living abroad is nearly 5.26 million, with the highest numbers living in Mexico, Canada, the UK, Germany and Israel.[26] In addition, the 2009 McKinsey Global Economic Conditions Survey showed 35 percent of respondents expected to see more movement of labor across national borders in the next five years.

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Shaped by, and in direct response to, these four interdependent drivers, the need and opportunity for financial planning provided in the interest of clients by qualified, competent and ethical financial planners is clear. But it begs the question — who are qualified to call themselves financial planners, what constitutes the actual practice of financial planning, and does financial planning qualify as a distinct professional practice within the broader financial services industry?

[23] McKinsey Quarterly. (September 2009) Global Economic Conditions Survey Results, 2 September 2009, retrieved November 25, 2009 from https://www.mckinseyquarterly.com:443/Economic_Studies/Productivity_Performance/The_crisis_one_year_on_McKinsey_Global_Economic_Conditions_Survey_results_2009_2437?pagenum=5#top

[24] Beinhocker, E. and Stephenson, E. (2009, June 26) Post-Crisis Trends You Have to Watch. Harvard Business Review online, retrieved November 25, 2009 from http://blogs.harvardbusiness.org/hbr/hbr-now/2009/06/post-crisis-trends.html

[25] 21 Diplock, J. (2009, June 10) Opening Ceremony Address, IOSCO Annual Conference, Tel Aviv, retrieved November 25, 2009 from http://www.iosco.org/library/speeches/pdf/IOSCOSP003-09.pdf

[26] Association of American Residents Living Overseas. (2009) retrieved November 25, 2009 from http://www.aaro.org

Who is a Financial Planner?

What constitutes a "financial planner" is loosely defined, regulated and understood. In Malaysia, one of the few countries where financial planners need to be licensed to practice, under the Capital Markets and Services Act of 2007, a "financial planner" is defined as someone who "carries on a business of analyzing the financial circumstances of another person and providing a plan to meet that other person's financial needs and objectives, including any investment plan in securities, whether or not a fee is charged in relation thereto."

ISO22222:2005, Personal Financial Planning – Requirements for Personal Financial Planners defines a personal financial planner as an "individual who provides a service of personal financial planning to clients and who meets all of the ethics, competence and experience requirements contained in this International Standard," with "financial planning defined as "a process designed to enable a consumer to achieve his/her/their personal financial goals."[27]

The above definitions are consistent with those of Financial Planning Standards Board Ltd. FPSB defines a financial planner as "a professional who uses the financial planning process to provide a client with integrated strategies to achieve financial and life goals and who has demonstrated the abilities, skills and knowledge outlined in FPSB's Financial Planner Competency Profile,"[28] with financial planning defined as "the process of developing strategies to assist clients in managing their financial affairs to meet life goals. The process of financial planning involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including inter-relationships among often conflicting objectives."[29]

However, according to research conducted by FPSB among its 23 member organizations, 78 percent of territories do not regulate the term financial planning, and most territories regulate financial planners by

[27] International Organization for Standardization. (2005, December 15) Personal Financial Planning–Requirements for Personal Financial Planners

[28] Financial Planning Standards Board. (2007) Financial Planner Competency Profile, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/070000_bklt_CompProf.pdf

[29] Financial Planning Standards Board. (2008-2009) Financial Planning Practice Standards, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/090800-FPSB-082_PracticeStandards.pdf

FPSB defines a financial planner as "a professional who uses the financial planning process to provide a client with integrated strategies to achieve financial and life goals and who has demonstrated the abilities, skills and knowledge outlined in FPSB's Financial Planner Competency Profile."

FPSB is committed to ensuring that the public understands what financial planning is and is able to readily identify financial planners who are qualified to deliver it.

the products they advise on, rather than as financial planners per se.[30]

Because the term "financial planner" is loosely regulated and often poorly understood by the public, companies in the financial services industry may choose to define the term according to a person's job, rather than the person's competency. Advisers who are not qualified to deliver financial planning may hold themselves out as "financial planners," a fact that concerns financial planning practitioners who have devoted their careers to developing and refining their competencies and qualifications. The absurdity of the situation was highlighted in an October 2009 article in Canada's Financial Post which quoted Ted Rechtshaffen, president of Tridelta Financial Partners, as saying his four-year old son could print up a business card and portray himself as a financial planner [without violating any law].[31]

Just as society expects medical, legal and other professionals to be appropriately tested in the profession's body of knowledge and qualified to practice, FPSB believes that financial planning professionals should be similarly prepared to serve the public. In this "post-trust" era, FPSB is committed to ensuring that the public understands what financial planning is and is able to readily identify financial planners who are qualified to deliver it. As part of this objective, FPSB has developed a professional framework and defined a global set of competency, ethics and practice standards for financial planners.

[30] Financial Planning Standards Board. (July 2009) Regulatory Environment Comparison Table, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/090729_rpt_2009regulatory%20comparison%20tbl.pdf

[31] Chevreau, J. Financial Post (October 2009) Financial Planning is Still About Selling. retrieved November 25, 2009 from http://www.financialpost.com/personal-finance/wealthy-boomer/story.html?id=2b669450-6b4f-42b0-9e21-c0834ab0e299

Setting the Global Standard

Celebrating its five-year anniversary in 2009, FPSB is a nonprofit global standards-setting body created to manage, develop and operate certification, education and related programs for financial planning organizations. FPSB benefits the clients and potential clients of financial planners by establishing, upholding and promoting worldwide professional standards in financial planning. Working through its current 23 member organizations, FPSB creates internationally relevant professional standards for financial planning practitioners so that:

- the public can identify qualified financial planners;
- practitioners can distinguish themselves as trusted financial planning professionals; and
- consumers and regulators can have confidence in the financial planning profession and recognize the benefits of financial planning.

> FPSB benefits the clients and potential clients of financial planners by establishing, upholding and promoting worldwide professional standards in financial planning.

FPSB owns the CFP, CERTIFIED FINANCIAL PLANNER and CFP marks outside the United States. (CFP Board owns the marks in the US and became a member of FPSB in 2007.) To administer the CERTIFIED FINANCIAL PLANNER certification program in a territory, FPSB enters into a licensing and affiliation agreement with the preeminent nonprofit financial planning standards-setting or professional body. By meeting and maintaining FPSB's affiliation requirements and standards, FPSB member organizations are authorized to administer the CFP certification program in their respective territories on behalf of FPSB.

A Framework for Financial Planning Professionalism

FPSB's certification standards demonstrate to those accessing the services of a CFP professional that the financial planner has met rigorous competency, ethics and professional practice standards to provide financial planning to clients. FPSB is focused on achieving its objectives and public-interest mission through partnerships with nonprofit associations, government bodies and consumer groups around the world.

FPSB has developed a professional framework for financial planning (see figure 1 below) that integrates competency, ethics and professional practice standards for financial planning, along with financial planner certification requirements in the areas of education, assessment, experience and continuing professional development.

Professional Framework for Financial Planning

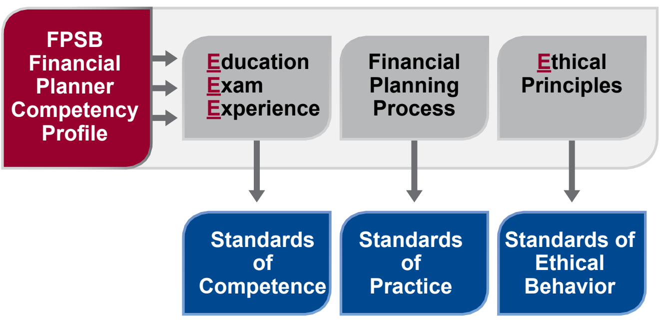

Figure 1

Competency

FPSB's Financial Planner Competency Profile—comprised of Financial Planner Abilities, Financial Planner Professional Skills and Financial Planning Body of Knowledge—describes the abilities, skills, attitudes, judgments and knowledge that a financial planner draws on when working with clients in financial planning engagements. To competently deliver financial planning to a client, a financial planner needs to combine the ability to carry out the tasks of financial planning using appropriate professional skills drawing on his or her knowledge of financial planning matters. The effective combination of abilities, skills and knowledge is what defines the financial planner's performance as competent.

FPSB's Financial Planner Competency Profile reflects what a financial planner does today as well as expectations for the financial planning profession in the near future. The Competency Profile describes the full range of abilities, skills and knowledge needed to competently deliver financial planning to clients. Financial planning professionals who specialize or limit the scope of their practice (e.g., in one or two Financial Planning Components such as Estate Planning or Tax Planning) consider the entire set of financial planner abilities to identify which to employ during a client engagement.

FPSB's professional framework for financial planning can be embraced by all organizations and individuals engaged in financial planning.

Ethics

FPSB's Financial Planner Code of Ethics and Professional Responsibility incorporates ethical behavior and judgment, and compliance with ethical standards, into a global framework for professional ethics for financial planners, that emphasizes planners' recognition of their responsibilities to the public and to the profession.[32]

Practice Standards

FPSB's Financial Planning Practice Standards establish the level of practice expected of a financial planner engaged in the delivery of financial planning to a client; establish norms of professional practice and allow for consistent delivery of financial planning by financial planners; clarify the respective roles and responsibilities of financial planners and their clients in financial planning engagements; and enhance the value of the financial planning process.[33]

CFP certification is administered by 23 nonprofit standards-setting organizations that together have authorized more than 120,000 individuals to use the CFP marks.

FPSB's professional framework for financial planning can be embraced by all organizations and individuals engaged in financial planning. In addition to generally applicable standards, FPSB developed specific requirements for the global CERTIFIED FINANCIAL PLANNER certification program.

Growing Numbers

FPSB is based in the US, where the concept of financial planning began to take root in 1969, when a group of 13 financial services professionals met to discuss ways to advance financial planning as a profession. CFP certification is administered by 23 nonprofit standards-setting organizations that together have authorized more than 120,000 individuals to use the CFP marks. By year end 2008, 58,830 people in the US were certified to use the CFP marks (with approximately 69 percent

[32] Financial Planning Standards Board. (2007) Financial Planner Competency Profile, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/070000_bklt_CompProf.pdf

[33] Financial Planning Standards Board. (2008-2009) Financial Planning Practice Standards, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/090800-FPSB-082_PracticeStandards.pdf

engaged in the practice of financial planning) and 59,676 were certified outside the US.[34] For the first time, the number of CFP professionals outside the US exceeded those in the US, signaling the internationalization of financial planning and the CFP marks.

CFP Certificant Growth 1973-2008

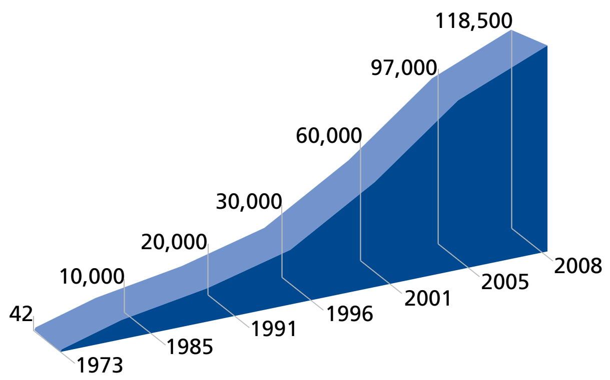

Figure 2

Australia's Financial Planning Association became the first organization outside the US to offer CFP certification in 1990, and counted more than 5,500 CFP professionals by mid-2009. The 1990s saw financial planning and CFP certification increase its global presence as Japan Association for Financial Planners (JAFP), the Institute of Financial Planning (IFP) in the UK, the Institute of Financial Advisers (IFA) in New Zealand, Financial Planners Standards Council in Canada (now Financial Planning Standards Council), DEVFP Deutscher Verband Financial Planners (now FPSB Deutschland) in Germany, Gestion de Patrimoine Certifiés (CGPC) in France, Financial Planning Institute of Southern Africa (FPI), Financial Planning Association of Singapore (FPAS) and Swiss Financial Planners Organization (SFPO) joined FPSB.

Since 2000, Asia has become an engine of growth for financial planning and CFP certification. By mid-2009, FPSB member organizations in the Asia-Pacific region were reporting annual growth rates of CFP professionals ranging from three to 57 percent in the first half of 2009. This rapid growth is changing the profile of CFP professionals and how they work. CFP professionals in the Asia-Pacific region tend to be younger (30-49 years old) than those in the US, where the average age range is 50-59. The percentage of women in the Asia-Pacific region choosing CFP certification (over 30 percent, compared to 23 percent in the US), and the way people practice financial planning differs as well. In Asia, where the concept of financial planning is still relatively new compared to Australia, the US and other mature financial planning markets, financial planners are often employees of large financial services firms, or they may engage in "modular" financial planning, in which they may develop, but not implement, financial plans on behalf of clients.

While the concept of financial planning has obviously spread globally to address the growing global consumer need, is the practice of financial planning consistent around the world, and is it delivered at an appropriate level in the form of a distinct professional practice? Is financial planning, in fact, a profession?

[34] Financial Planning Standards Board. (2009) CFP Professional Growth, retrieved November 25, 2009 from https://fpsbcommunity.org/site_docs/CertificantGrowth2008.pdf

The Emergence of Financial Planning as a Profession

Over the last 40 years, many who practice financial planning have considered whether what they do constitutes a professional practice. The discussion of what qualifies as a profession and professional practice dates back to pre-industrial England, where sons of wealthy landowners attended either Cambridge or Oxford to achieve liberal arts educations before sitting for exams to enter the practices of law or medicine. Since that time, many scholars have sought to define the characteristics of a profession.

Bernard Barber (1963) wrote that an occupation must have four characteristics to qualify as a profession: general and systematic knowledge, orientation to community interest, self monitoring through internalized codes of ethics, and rewards that symbolize accomplishments through work and that are sought as ends in themselves. [35] Cutlip, Center and Broom (1994) determined that, generally, professions have the following characteristics: [36]

Requires specialized education to acquire a body of knowledge and skills based on theory developed through research. Practitioners must have unique knowledge and skills not possessed by others outside the profession.

Provides a unique and essential service recognized as such by the community. To be a profession, the practice must be distinct from other services, and recognized as such by consumers.

Emphasizes public service and social responsibility over private interests. This altruistic characteristic implies "nobility of purpose," and suggests that practitioners should put the needs of society before their own personal gain.

Gives autonomy to and places responsibility on practitioners. Practitioners integrate information from a variety of sources and arrive at informed decisions when faced with incomplete or inconsistent information.

Enforces codes of ethics and standards of performance through self-governing associations of colleagues. Professional organizations often have codes of ethics that set values for members, and enforce those values through disciplinary action.

How does Cutlip, Center and Broom's criteria compare with what's happening today in the field of financial planning?

Requires specialized education to acquire a body of knowledge and skills based on theory developed through research. While established professions tend to have schools of learning within tertiary education institutions, such as colleges of

[35] Barber, B. (1963) Some Problems in the Sociology of the Professions. Daedalus 92;672

[36] Cutlip, S., Center, A., and Broom, G. (1994) Effective Public Relations, (New Jersey, Prentice-Hall, Inc.), 49

law or medicine, financial planning courses today are mostly delivered through education and training programs that fall within business, economics or related disciplines in a variety of education, training and vocational settings. Such programs increasingly rely on a competency-based approach, with learning outcomes and theoretical knowledge connected to appropriate practice outcomes or competencies for financial planning.

In developing a global education standard for financial planning, FPSB developed learning outcomes and content for its Financial Planning Curriculum Framework that relate to the abilities, skills and knowledge needed to practice financial planning (as defined by FPSB's Financial Planner Competency Profile). By linking the Financial Planning Curriculum Framework directly to its Financial Planner Competency Profile, FPSB encourages educators to be directed by the actual practice of financial planning when developing financial planning curricula, so that students develop thinking and capabilities that prepare them to practice as competent financial planning professionals.

FPSB's goal is to create a dialogue between financial planning practitioners and the academic community, so the knowledge is practical, but based on theory developed through research, which will form the body of knowledge for the professional practice of financial planning.

Studies show that people who have worked with a financial planner to develop a financial plan are more satisfied that those who haven't.

Provides a unique and essential service recognized as such by the community.

As cited earlier in this paper, studies show that people who have worked with a financial planner to develop a financial plan are more satisfied that those who haven't. However, too many consumers still don't understand the benefits of having a financial plan, and others are confused about the nature of financial planning. Until financial planning is understood and valued by consumers, it will be hard for it to be perceived as unique and essential, and so education and awareness campaigns are needed to help establish financial planning as a profession.

Emphasizes public service and social responsibility over private interests.

As financial planning organizations reach out through pro bono activities and financial literacy events, financial planners gain more recognition and credibility for what they do and for the public benefit they provide. FPSB member organizations run regular financial planning clinics, financial literacy campaigns, and Financial Planning Week promotional events.

Gives autonomy to and places responsibility on practitioners.

Those who hold themselves out as financial planners should have the capacity to analyze a client's situation, evaluate strategies, and make

Of the professions, emerging and established, financial planning has the potential to make the greatest impact on the wellbeing of consumers, given its influence on such a broad range of decisions made by consumers throughout their lifetimes, and the impact of these decisions on the financial and general wellbeing of following generations.

recommendations, without supervision. Moreover, qualified financial planners clearly demonstrate an ability to assess a client's needs, goals and objectives across a breadth of financial ares, often in complex or ambiguous circumstances. While some practice settings may limit the scope of a financial planner's practice or services, for financial planning to flourish, financial planners must work in their clients' interests.

In his discussion of the nature of professions, Robert Sokolowsky (1991) wrote, "Some special obligations befall professionals because their prudence is being called upon to help steer clients' lives. The exercise of professional judgment and skill must, first of all, be for the client's good."[37] Sokolowsky characterized the relationship between professionals and clients as "fiduciary," meaning that the professional must hold the client, and in some cases, the client's possessions, in trust, obligating the professional to act in the client's best interest.

As headlines highlight financial industry scandals, several governmental bodies are exploring the idea of whether to require a fiduciary standard among those who call themselves financial advisers or planners. While many qualified financial planners already embrace a fiduciary standard, it is not always legislatively required, leaving consumers at the mercy of disparate standards of care when it comes to working with financial planners.

While financial planning itself may not hold status as a profession, many who practice financial planning qualify as "professionals."

Enforces codes of ethics and standards of performance through self-governing associations of colleagues.

FPSB and its member organizations subscribe to FPSB's Code of Ethics and Professional Responsibility, and member organizations have disciplinary rules and procedures in place to censure those who violate the Code. While FPSB's Code of Ethics is relevant to, and was written for, all who

[37] Sokolowski, R. (1991) The Fiduciary Relationship and the Nature of Professions, in Ethics, Trust, and the Professions: Philosophical and Cultural Aspects, ed. Edmund D. Pellegrino, Robert M. Veatch and John P. Langan (Washington, D.C.: Georgetown University Press), 28

practice financial planning, it is only enforceable for those who have agreed through CFP certification to abide by it. CFP professionals also must adhere to FPSB's Financial Planning Practice Standards, which are employed and enforced by FPSB's member organizations. Until the term "financial planner" is clearly defined, it will be difficult for self-governing associations to oversee practitioners and enforce codes of ethics and standards of performance.

A strict interpretation of the above criteria for a profession would lead most to conclude that while financial planning may not be recognized as a bona fide profession in most countries, many of the elements exist and others are being put in place that would support the emergence of a global financial planning profession. Moreover, while financial planning itself may not hold status as a profession, many who practice financial planning qualify as "professionals," based on the competency, ethics and conduct standards they follow.

Considering all professions must emerge before they become established, financial planning as the "youngest" profession is on its way toward the recognition of professions such as law, medicine or accounting that have been around for hundreds, if not thousands, of years. Of the professions, emerging and established, financial planning has the potential to make the greatest impact on the wellbeing of consumers, given its influence on such a broad range of decisions made by consumers throughout their lifetimes, and the impact of these decisions on the financial and general wellbeing of following generations.

The Evolution Continues

Rather than looking at financial planning as a profession in terms of a snapshot in time, it makes sense to consider its development on a continuum. If unskilled occupations could be considered the start and developed professional occupations the destination on the continuum of professionalism (see figure 3 below), financial planning should be considered an emerging profession.

Continuum of a Profession

Figure 3

But at what point does a profession stop emerging and become developed? In looking at the 23 territories where FPSB has a member organization, the answer varies. Financial planning and CFP certification have been available in the US for 40 years, but the concept of financial planning has only just emerged in other parts of the world. In some countries, where average income and wealth levels are low, or where the regulatory environment or market conditions are unsuitable, the practice of financial planning does not yet exist.

In FPSB's opinion, a profession is often developed before people recognize what has actually occurred. So while it's fair to call financial planning an emerging profession around the world in the context of characteristics and continuum, FPSB believes that those who achieve and maintain CFP certification and abide by FPSB's competency, ethics and practice standards already behave and act as part of a developed profession.

The Vision for Financial Planning in a “Post-Trust” Era

FPSB’s vision is to establish financial planning as a global profession, with the CFP marks as its symbol of excellence. To make that vision a reality, FPSB has worked diligently since its inception in 2004 to develop an approach that defines the scope of financial planning, the competency needed to practice financial planning, standards to guide professionals in working with clients, a curriculum and assessment framework, and a Code of Ethics and Professional Responsibility and set of Financial Planning Practice Standards to ensure financial planners take a process-driven approach during financial planning engagements and place the interests of their clients first.

In November 2009, FPSB’s members approved new global standards for work experience and continuing professional development.[38] Financial planning professionals need to demonstrate relevant work experience, which may include one year of supervised work experience, in which the supervisor is a financial planning professional who has mastered the abilities, skills and knowledge defined in FPSB’s Financial Planner Competency Profile, or three years of unsupervised practice working with clients while adhering to FPSB’s Practice Standards, Competency Profile and Code of Ethics.

FPSB’s continuing professional development (CPD) standards call for ongoing learning and competency development, the completion of which is verifiable by the certifying body in the financial planner’s territory. A portion of the CPD requirement must address FPSB’s Code of Ethics and/or Financial Planning Practice Standards.

FPSB continues to set rigorous standards and work with its stakeholders to develop tools to educate people about the importance of working with a competent, ethical financial planner to achieve one’s financial and life goals. But as FPSB pursues its mission, it is mindful of barriers that may prevent success, such as consumer indifference or lack of awareness, confusion over the number and types of credentials in the financial services field, misuse or abuse of the terms “financial planner” or “financial planning,” and regulator and/or market structures that limit the evolution of the profession.

[38] Financial Planning Standards Board. (November 2009), Financial Planner Continuing Professional Development Standard and Financial Planner Work Experience Standard, retrieved November 25, 2009 from http://www.fpsb.org/certificationandstandards/experience.html

> FPSB believes that those who achieve and maintain CFP certification and abide by FPSB’s competency, ethics and practice standards already behave and act as part of a developed profession.

In the coming years, FPSB expects to join its member organizations, government bodies and regulators, consumer groups and other nonprofit certifying and standards-setting bodies in discussing topics that are critical to achieving its vision. Issues for discussion may include:

Compensation and conflicts of interest: Should financial planners be compensated by a particular method? Does earning a commission signal a conflict of interest that doesn't exist in a fee-based model? What are the implications of imposing one remuneration structure over another? What types of conflicts are acceptable and how are they best managed? What level of disclosure should be provided?

Standard of care: What are the pros and cons of defining a fiduciary standard for those who hold themselves out as financial planners? What are the regulatory and business implications? How should fiduciary be defined, and to what standard of care?

Title protection: How can financial planners distinguish themselves from other types of advisers, and educate people on how to understand and value the difference? Would this regime require legal definition of the term "financial planner?"

Pathway to professionalism: How can practitioners in the financial services industry be encouraged to improve their skills and level of professionalism when dealing with clients? How can the financial services industry support the career development of those seeking to become financial planners?

Financial literacy: An August 2009 article in Financial Planning magazine highlighted research at the Yale School of Management showing that some adult financial literacy programs fail miserably.[39] And yet, the global financial crisis has made financial literacy top-of-mind for many consumers. What works and what doesn't? Why? What should the financial planning community do to address the need?

Creating urgency without creating panic: People generally understand the need to plan for their financial and life goals, but often, they don't take the steps necessary to do it. How can financial planners create a sense of urgency among consumers without overstating the need?

Building trust in the aftermath of the global financial crisis: What will it take for consumers to trust their financial planners, and what tools will help financial planners build and maintain long-term relationships with their clients?

[39] Adler, David Financial Planning Magazine (August 2009) "Mom, Apple Pie and Financial Education"

Financial planning has a great foundation, and the market uncertainty of recent times has only served to reinforce the need for competent, ethical financial planners who meet rigorous professional standards, and place their clients' interests first.

The Opportunity Awaits

As an emerging profession, financial planning has a great foundation, and the market uncertainty of recent times has only served to reinforce the need for competent, ethical financial planners who meet rigorous professional standards, and place their clients' interests first.

In working with its member organizations and other stakeholders throughout the world, FPSB has developed a global view of the emerging financial planning profession. FPSB will build a global framework for financial planner professionalism and establish global standards in the best interests of the clients and potential clients of financial planners and the profession.

Ultimately, FPSB's goal is for consumers to understand the concept of financial planning, how, as a distinct professional practice, it can benefit them, and the value they can derive for themselves and for their families by working with a skilled, knowledgeable and trustworthy financial planner.

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