

# To Act...Like a CFP

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“There’s something happenin’ here...what it is ain’t exactly clear,” go the lyrics from the hit song by Buffalo Springfield.

The “something” that is not exactly clear is what’s happening in the financial planning field today—and it’s not even clear to those of us who are practitioners! Are the developments that have occurred over the past 12 months just a series of minor events, or do they represent a significant inflection point in the development of our profession?

Consider this. Certified Financial Planner Board of Standards and Practices revises the Standards of Professional Conduct, requiring CFP® certificants providing financial planning services to act with the duty of care of a fiduciary. The Financial Planning Association sues the Securities and Exchange Commission and wins, effectively overturning what was dubbed the Merrill Lynch rule, which previously permitted brokers to offer advisory services without the attendant advisor responsibility to clients. FPA issues the recommendations of its Fiduciary Task Force and Financial Planning Standards Task Force, embracing a “client first” standard for financial planners.

## Executive Summary

- Several major events have occurred over the past year that may represent a major inflection point in the development of the financial planning profession.
- Those events include CFP Board requiring CFP® certificants providing financial planning services to act with the duty of care of a fiduciary, the court ruling overturning the Merrill Lynch rule, and the Financial Planning Association embracing a “client first” standard for planners. The convergence of these and other trends may move the profession from “thinking like a CFP” and “feeling like a CFP” to “acting like a CFP.”
- Acting like a CFP certificant means putting the client’s interests first—and at all times, not merely when providing elements of a financial plan. No more “bait and switch.”
- If enough practitioners act instinctively and in unison in the client’s interest, a culture and reputation will emerge that will transform the thinking and behavior of succeeding generations of planners.
- Financial planning has been misguided in seeking to self-proclaim that it is a profession. The public must come naturally to recognize financial planning as a profession through the actions of individual planners.
- Challenges remain for today’s planners to act in their clients’ interests: in particular, product distribution and practicing in larger, institutional settings.

And perhaps the most ironic development of all, considering that a mere 25 years ago financial planners were derided by many notable business and financial writers, being a personal financial advisor is now considered the sixth most attractive job out of the top 30 careers of 2008 by CareerBuilder.com. MSNBC, too, lists “financial advisor” in its list of Top Twenty Jobs of 2008.

To some, the most welcomed change of all is that the education/training requirement cited for a position as a personal

financial advisor is no longer merely vocational school, mail-order study, on-the-job training, or an associate’s degree. The path chosen to fulfill the educational requirement and attain the use of the CFP marks is more often now through a course of study in a college or university classroom, whether it’s a degree or certificate program. While the financial planning curriculum is not yet a mainstream offering in colleges and universities, the fact that the body of knowledge called financial planning has an opportunity to advance in

a higher-education setting, a prerequisite for any profession, has been a most remarkable development.

### Time for the Next Step

We seem to have a convergence of forces at work, suggesting that this is the time we collectively move from, as Dick Wagner encouraged, “thinking like a CFP,”<sup>1</sup> and as Elissa Buie advanced, “feeling like a CFP,”<sup>2</sup> to finally—*finally*—acting like a CFP.

What does it mean to act like a CFP? It means always putting the client’s interests first. Period.

CFP Board has promulgated its revised Standards of Professional Conduct, obligating the CFP certificant to “at all times place the interest of the client ahead of his or her own.” The standard further requires the certificant who provides financial planning services or material elements thereof to do so with “the duty of care of a fiduciary.”

While CFP Board has chosen a functional approach to the application of a fiduciary standard, FPA’s Fiduciary and Financial Planners Standard of Care task forces have elected to go further to say not only does providing the material elements of a financial plan create a fiduciary obligation, but “the ‘best interests of a client’ standard shall apply to all persons holding themselves out as financial planners or who otherwise create a reasonable expectation regarding an advisory relationship.”

Good-bye “bait and switch”! Changing hats during the relationship as a means of skirting fiduciary responsibility is debunked as nothing more than the charade it really is.

Is this the time to construct and articulate a universal standard of care that is unambiguous, without exception, to which financial planners will adhere, and on which consumers can rely? Unequivocally yes.

In his essay, “To Think...Like a CFP,” Dick Wagner, CFP®, eloquently argued that for financial planning in general, and CERTIFIED FINANCIAL PLANNER™ certificants in particular, to become accepted and respected as a “real profession” and as “real

professionals,” CFP practitioners must start to think as professionals.

Wagner’s final words motivated and inspired a new generation of financial planners: “We are entrusted with helping people, exposing myths, and unraveling gimmicks. We work with the most potent and most versatile force in the history of mankind (money) and how it relates to individual human beings. We serve a function being served by no others. We are entrusted with the responsibility to ‘Think...Like a CFP.’ We must accept the challenge—or lose the charter.”

Ten years later, Elissa Buie, CFP®, suggested it was time to bring the profession to full maturity by balancing the skill of financial planning with the art of feeling. Her article, “To Feel...Like a CFP,” encouraged us to care more about the people and less about the numbers.

Buie’s words sparked yet another movement forward in our journey:

I believe we’ve come so far because of our hearts and despite our heads. Even while we’ve been thinking, our hearts have managed to get some of our feelings through. That’s why we are so proud of what we have built and why the public has come to accept us. If we want to move on, we will need to continue to use that heart in ever greater ways, to feel where we need to go next. If we can all just stop thinking so much, and feel a little more, we can...take the next steps toward building the real profession we all envision.

### Don’t Forfeit the Opportunity

As the activity called financial planning received widespread recognition by the public and the media, the professional certification marks—CERTIFIED FINANCIAL PLANNER—eclipsed all other designations in the field. While M.D. is but one in an assortment of degrees and certifications in the health care field, it is synonymous with the practice of medicine. The statutory designation, CPA, is, in the mind of the

public, representative of the practice of accounting. Now the CFP marks are becoming the brand for personal financial planning.

The acknowledgment that both financial planning and the professional marks deliver value to clients carries with it a level of responsibility and accountability that must be embraced by all who practice. Otherwise, the ground gained will become ground lost. It would be a costly mistake at this point to forfeit the opportunity to “act” professionally at just the moment the public seems prepared to accept financial planning as a profession.

So what guides this progression from thinking...to feeling...to acting like a CFP? Philosophers since the beginning of time have grappled with the definitions of being and existence. “Being” is the consciousness of thinking, feeling, and acting, and it permeates how we carry out our responsibilities. It’s not based on a set of rules and regulations that, if adhered to, fulfill all our obligations to the client. Rather, it is an intuitive recognition of what’s right. It’s instinctive.

Take any sport—golf, baseball, or skiing, for example. Athletes practice the most rudimentary drills in their respective sports to develop body memory and muscle memory. Tiger Woods doesn’t have to concentrate on how his body will perform before each shot. His body remembers. Hank Aaron didn’t dwell on how to swing at a 95 mph fastball. His body remembered. Bode Miller isn’t processing how he’ll maneuver his skis through the next bump and turn. His body will remember. Athletic moves are a natural reflex. Behaving as a professional, putting the client’s interests first, should, likewise, be instinctive—“practice memory.”

### The Power of Culture

If enough practitioners act instinctively and in unison in the client’s interest, a culture and a reputation will emerge. And a culture can be an impressive, powerful force, acting for or against the common

good. The development of a client-first culture can, over time, transform the thinking and behavior of succeeding generations of planners. All one needs to do is study the cultures of the world with their roots in religion to understand the deep and dynamic influence this “system of beliefs and norms of behavior”<sup>3</sup> has on entire civilizations. Culture is “the way of life for an entire society,”<sup>4</sup> shaping the thinking, beliefs, and social behavior of thousands and thousands of people. A culture can also go awry and become distorted. The Taliban practices a form of Islamic belief that pits its followers against virtually every civilization founded on any other religious value system.

Culture can be a dynamic force in so many human endeavors, such as sports and business. The lore of “Yankee pinstripes” imbued a New York baseball team with an undeniable mystique and drive to win, that has embodied the team for decades. Goldman Sachs is reputed to have

a culture of achievement par excellence among brokers, traders, and bankers.

But cultures can also clash, driving apart what was envisioned to have superior value together, such as Time Warner and AOL or Telerate and Reuters. Some cultures simply cannot co-exist. Conflicts of interest and competing business models become insurmountable hurdles.

It's the financial planning community's culture—this intangible collection of ideas, beliefs, and behaviors transferring from one generation of planners to the next—that has the potential of transforming CERTIFIED FINANCIAL PLANNER certificants, and indeed all financial planners, into advisors who think, feel, and act in the client's best interest.

### Are We a Profession?

Over the past several years, we have been misguided in seeking to self-proclaim that financial planning is a “profession.” Why

have we felt this need to promote that particular label of status? Shouldn't we allow the public, our clients, to be the final arbiter? Many clients today view their own financial planner as a professional—yet some do not. We, as individual practitioners, view some of our colleagues as professionals, some not as professionals. If public perception and our own internal perceptions are any gauge, we have some financial planners who are clearly professionals by professional standards, yet a financial services industry as a whole that remains only marginally professional.

To summarize Ronald T. Anderson in his work *The Professional Urge*,<sup>5</sup> we cannot self-proclaim that financial planning is a profession because this is, in the end, a status that can be conferred only by the public. If the public does not recognize the industry as a profession, nothing you can do or say will gain that coveted status for the industry as a whole.

Robert G. Kennedy, a Ph.D. at the University of St. Thomas in St. Paul,



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Minnesota, did a great deal of study on “the professionalization of work.”<sup>6</sup>

Kennedy’s take was that “before any profession comes into existence, there must be individuals who conduct themselves professionally. It is these persons who define and exemplify the standards that will later be honored, encouraged, and protected by their organized association.”

Kennedy goes further to say that “professionals do not so much occupy a special place in society as play a special role in it.” The hallmark of professionalism is specialized knowledge. Professor Kennedy was quick to point out that “this is not just any sort of specialized knowledge. It is an accumulated and ordered knowledge, built up over time by the experience, analysis, and insight of predecessors in the field.” A professional, it seems, has an obligation to add to his or her base of knowledge as demanded by our ever-changing world, always seeking to improve, refine, and correct where necessary.

A professional has an obligation to increase the depth and the breadth of the base of theoretical knowledge that serves as the underpinnings for his or her advice. In *Professionalism: The Third Logic*, Eliot Friedson points out that “the ideology of professionalism asserts knowledge that is not merely the narrow depth of a technician, or the shallow breadth of a generalist, but rather a wedding of the two in a unique marriage.”<sup>7</sup>

Financial planning professionals not only must master and retain the knowledge and skills of the moment—they must continue to learn and grow throughout their careers. As John Kultgen points out in *Ethics and Professionalism*, “they must run fast to just stay even.”<sup>8</sup>

The soul of professionalism has traditionally been independence, autonomy, and freedom of judgment—advice that is impartial and unbiased.

In Professor Kennedy’s words, “Professionals live on the cutting edge between the tried and the true—between the new and the uncertain. Society depends upon professionals to provide reliable solutions

in situations where the facts are murky or the temptations are strong. Their principal contribution is an ability to bring sound judgment to bear on these situations. They represent the best a particular community is able to muster in response to new challenges.”

To be a professional, to “profess,” is to stand for something in a public context, to make a promise of service to the public. To again quote John Kultgen, “Success in business is defined in terms of profit for the firm and personal advancement. The success of a professional, rather, is defined in terms of service to clients.” The relationship between professionals and those they serve is not transactional, but rather, transformative.

There are challenges confronting many of today’s financial planners that may make acting in the client’s best interests difficult. First, remember the origins of the financial planning movement itself: distribution. Certainly not everyone viewed financial planning as the most ingenious distribution system for financial products since the introduction of the commission. Unfortunately, though, enough individuals and institutions did, making for a suspect beginning to the reputation of financial planners in general. Second, the challenge to maintain a client-centric focus for financial planners practicing in larger, institutional settings is particularly daunting. There, we often find the spirit of financial planning competing with the profit margins of free enterprise.

### We Are Professionals

Regardless of his or her confines, though, a professional must adhere to high standards of conduct, whether self-imposed or defined by an organized association of other professionals. It is the commitment to adherence to this “code” that all aspirants to professionalism have in common. This commitment to act as a fiduciary, to act always in the best interests of the client, drives the very spirit of professionalism.

So perhaps it’s time to leave the question

of whether or not financial planning is a profession in the hands of the public. Acting as a professional, with all its attendant responsibilities, is in our hands. Let’s set aside “the profession” as our destination and, instead, make “professionalism” our ongoing journey. Let’s focus on our role, not our place. Accept that planning is a function, but a client-centered advisor is who we are. Know that it’s not what we do, but who we are that will make the lasting impression. And who we are is a professional. It’s time to start acting that way...to start acting like a CFP.

### Endnotes

1. Richard B. Wagner, “To Think...Like a CFP,” *Journal of Financial Planning* 3, 1 (January 1990): 36–41.
2. Elissa Buie, “To Feel...Like a CFP,” *Journal of Financial Planning* 13, 7 (July 2000): 134–138.
3. Raymond Williams, *Keywords: A Vocabulary of Culture and Society*, Rev. Ed., New York: Oxford University Press, 1983.
4. “Culture,” Wikipedia, <http://en.wikipedia.org/wiki/Culture>.
5. Ronald T. Anderson, “The Professional Urge,” *CPCU Annuals*, 29 (June 1976): 116–122.
6. Robert G. Kennedy, “The Professionalization of Work,” in Pontifical Council for Justice and Peace, *Work as a Key to the Social Question*, Vatican City: Libreria Editrice Vaticana, 2002: 99–110.
7. Eliot Friedson, *Professionalism: The Third Logic*, University of Chicago Press, 2003.
8. John Kultgen, *Ethics and Professionalism*, University of Pennsylvania Press, 1988.