

Financial planning clients not getting what they pay for: study

Financial planning clients not getting what they pay for because of a lack of government-enforced professional standards, according to the study sponsor, the Financial Planning Coalition



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Investors are not getting what they pay for when they're in the market for financial planning due to the lack of government-enforced professional standards, according to a study released on Monday.

Research conducted on behalf of the Financial Planning Coalition shows that consumers could not identify certified financial planners from other advisers, and that when they worked with someone claiming to be a planner – either a CFP or someone else — they were sometimes given inadequate financial guidance.

Nearly one-third of consumers received only two services — usually investment advice and retirement planning — when they sought help with a comprehensive financial plan, [the study](#) said. Less than 10% got advice on taxes, estate planning, education planning, debt management or personal budgeting.

About 30% said they weren't given the help they required, while 27% sought, but didn't receive, a financial plan.

The coalition is comprised of the Certified Financial Planner Board of Standards Inc., the Financial Planning Association and the National Association of Personal Financial Advisors. The Fondulas Strategic Research study also showed that consumers are confused by the term “financial planner,” with 82% saying it is the same as “financial adviser,” 70% equating it with a “wealth manager” and 68% using it interchangeably with “investment adviser.”

On Monday, the coalition also pointed to 2013 data from Cerulli Associates that showed about 100,000 out of 168,000 financial advisers who called themselves financial planners were not actually providing financial planning services.

The coalition is vexed by people who call themselves planners but don't hold a CFP, and believe clients pay the price.

“Consumers continue to be deluged with misleading terms and practices,” said Janet Stanzak, FPA president.

The coalition said its study shows that consumers are harmed by the lack of government-required financial-planning standards that would require practitioners to meet competency and ethics metrics. The coalition also is advocating a fiduciary standard for all financial advice.

The report is a response to a 2011 Government Accountability Office study that concluded

additional regulation is not required. The GAO study was mandated by the Dodd-Frank financial reform law.

Robert Gerstemeier, NAPFA chairman, said current financial regulation is administered according to the kind of license advisers hold, services they provide or product they sell, allowing plenty of room for fraud.

“This patchwork of inconsistent regulation is completely inadequate when it comes to covering the multiple channels through which financial planning services are delivered to consumers,” Mr. Gerstemeier said during a media conference call.

Although the coalition said the 2011 GAO report was conducted under an “aggressive deadline” that didn’t allow time for the kind of research the coalition has conducted, the group is not seeking a new GAO study. If the GAO had called for more regulation, it could have been a catalyst for legislation.

But the coalition is not trying to generate a bill that would establish financial-planning regulation.

“At this point, what we are really trying to do is educate policymakers, including Congress, continue to keep this [issue] in front of the American consumer through the mainstream press and to continue the discussion within our own profession,” said Ray Ferrara, chair of the CFP Board.

The CFP Board sets the educational and ethics requirements for advisers who hold the certified financial planner designation. There are approximately 70,000 CFPs in the United States.

The online survey included 1,250 consumers in 2013 and 2014. The participants had to be 25 or older, make decisions about household finances and have an annual income of at least \$50,000. Those surveyed included 496 people who had worked with a financial professional in the last five years and 250 who could name their adviser.