

September 8, 2006

## **Designations a sign of competence**

By Terry McBride CLU CFP

President, Advocis, North Central Saskatchewan Chapter

Does your financial planner have professional training? How do you know whether your advisor is professionally qualified, knowledgeable and adheres to a code of conduct? Ask your advisor - Are you an Advocis advisor? If the answer is "yes" then you can rest assured. If the answer is "no" then you may be taking a risk.

Virtually anyone can hold him or herself out as a financial planner. Many unqualified individuals give advice to an unsuspecting public. If you feel vulnerable as a consumer, how can you find credible advice?

One way to help you determine whether your financial advisor has training and experience is to check his or her business card. Look for the Certified Financial Planner (CFP) or Chartered Life Underwriter (CLU) designation.

More and more advisors are pursuing the CFP designation in order to gain the public recognition of the knowledge and skills they provide. Currently, there are more than 16,000 CFPs in Canada. 933 individuals wrote the Financial Planners Standards Council's rigorous 6-hour CFP Examination on June 10, 2006. Only 44 per cent passed, giving ample evidence of the rigors of the program and the vast body of knowledge required to achieve this designation. Today, over 70 educational institutions across Canada (including colleges and universities) offer the courses of study leading to the CFP designation. For more information about CFP see [www.cfp-ca.org](http://www.cfp-ca.org).

Advocis, Canada's largest voluntary professional membership association of financial advisors, grants the CLU designation. More than 3,400 advisors in Canada are CLUs. For over 50 years, the CLU designation has identified advisors possessing in-depth, specialized knowledge of advanced life insurance and estate planning. The CLU study program has university-level content which covers tax, law and estate planning. Currently, an advisor must first complete the CFP courses as a pre-requisite before enrolling in the CLU study program. For more information about CLU visit [www.cluinstitute.ca](http://www.cluinstitute.ca).

Having a CFP or CLU designation is an easy way to measure competence. Of course, the lack of a designation in no way means that a financial planner cannot do his or her job properly. Experience does count. Yet it's not how much experience your advisor has; it's what your advisor has learned from it.

Seeing the initials CFP or CLU on your advisor's business card is an indication of experience because it underscores the time commitment that your advisor has made to provide better service to you, the client. To complete all of the course requirements, and

write the final exams for these designations, can take an advisor anywhere from three to five years.

Of the roughly 100,000 individuals licensed to sell financial products in Canada, only a small proportion have so far completed the educational requirements to hold the professional designations CFP or CLU.

In addition to designations, you can ask your advisor if he or she is a member of Advocis. Why you ask? The more than 10,000 Advocis members across Canada adhere to an established Code of Professional Conduct, subscribe to a code of “Best Practices,” participate in ongoing, meaningful continuing education requirements, and maintain appropriate levels of professional liability insurance. In fact, all members of Advocis must hold a professional designation by December 31, 2010.

What does it mean to you, as a consumer? It means that you can have confidence in your advisor knowing that your best interests will always be the driving force in any advice giving or product transaction.

Recently, governments have been looking at ways to regulate financial planners. Unfortunately, some proposed regulation frameworks do not distinguish between product transactions and the act of advice giving. Clients generally establish relationships with advisors and seek financial planning advice before they enter into product transactions. In fact, it is possible to obtain the services of a financial advisor and not purchase any products at all. Excluding the advice giving aspect of the relationship is a major flaw of some regulatory models being proposed.

As a result of these regulations, which are supposed to streamline the process and protect consumers, the increased compliance costs will inevitably limit access to financial advice for many Canadians. This happened in Britain. Red tape is making it too costly for advisors to offer their services to the average Canadian investor.

Have you noticed all the mergers and consolidation among financial planning firms? You may have seen the name of your advisor's firm change, perhaps more than once, in the past five years. As costs continue to rise, independent advisors come under increasing pressure to merge. The lack of competition is costing consumers dearly.

Advocis believes that independently minded, professionally designated advisors are the cornerstone of consumer protection. Because the CFP and CLU designations already signify competence to give advice, Advocis promotes the statutory recognition of accredited financial advisors as professionals.

Today, financial advice giving is unregulated. It is still “buyer beware.” Advocis feels that the onus for determining advisor competence should not have to rest with the consumer.

Consumers need easy ways to determine who is qualified to provide appropriate advice, where to get that advice, and what consumer redress systems are available, outside of the costly court system. The regulatory model proposed by Advocis would see the establishment of a new consumer dispute resolution centre in every province to offer information and dispute settlement services to consumers of financial advice.

As a consumer, you seek advice and guidance from your financial advisor. Ensure that your advisor is professionally qualified to give that advice. Make sure your advisor is an Advocis advisor.

For more information about Advocis visit [www.advocis.ca](http://www.advocis.ca). To find a CLU or CFP near you go to the “Consumer Info” tab and locate the “Find an Advisor” webpage. Select CFP and/or CLU in the designation field.

To learn about local chapter activities visit [www.advocisnorthcentralsask.com](http://www.advocisnorthcentralsask.com). There you will find a list of local Advocis members who have recently become CLUs and CFPs.