Making the Plan

CIFPs doesn't want everyone – just CFPs – and not even all of them

INTERVIEW BY DEANNE GAGE AND MARK NOBLE

Just as the regulatory world is fragmented, so is the advice profession. One of the youngest groups, the CIFPs, came out of the Investment Funds Institute of Canada. Advisor staff talked to CIFPs president Keith Costello about the history and future of CIFPs.

Q One goal of the CIFPs was to bring together Certified Financial Planners (CFP), yet the majority of CFPs don't belong to any sort of industry association. Why?

A That was one of our goals: to represent CFPs. I would qualify that by saying that's not the main objective to me. I want to promote having advisors do financial planning. If they are doing that, we would strongly recommend they have a CFP designation.

We think there is a core group of people who want to do financial planning and they may be using a hybrid model where they provide some financial planning and sell product, or they may be exclusively financial planners who are fee-based.

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>
> **Keith Costello**

We don't anticipate giving all the 17,000-plus CFPs a membership. We've always thought we would represent about 5,000 people who are high-end advisors that are really doing financial planning.

Q How important is it for CIFPs to develop course materials on financial planning, such as the hedge fund course?

A Last year CIFPs acquired the Canadian Institute of Financial Planning from Investment Funds Institute of Canada. Before, CIFPs and CIFP were affiliated organizations.

We acquired the financial planning education planning company to round out and provide those types of courses you're talking about. We know that a lot financial planners do work around things like hedge funds, mutual funds and insurance – all of these are very important – our focus in doing that is making sure our members have access to the very best material.

Any trend coming out that we think is important to our end planning-focused advisor we are going to try and get involved with either directly or through partnerships and make sure they are aware of them.

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Q **Do you have any plans to do any work with Advocis or the Institute of Advanced Financial Planning?**

A If we find that an opportunity presents itself to provide educational opportunities we are happy to work with any group. We have an educational relationship with IFIC right now — if their members would like to take our CFP program they can. What we find is that a lot of our members have cross-membership and they are getting those specific targeted programs through those organizations. What we try to do is keep our focus on financial planning.

Costello

Q **The IAFP has the same mandate. How do you differ from them?**

A [IAFP] have a very narrow mandate at the highest fee-only practice, which is even above the CFP. We like to be a little more broad-based in recognizing there are different levels within that financial planning realm. You may have a CFP, or striving to get a CFP, or you may have advanced designations like the CLU or the RFP.

In fact a lot of their members are also members of CIFPs, where they are looking for the additional services we offer, such as an errors and omissions program, a very expansive national conference, networking and chapter opportunities. I think we are kind of like them, but much more broad-based in our mandate, so we don't see any conflict there.

Q **CAFP and CAIFA merged six years ago to become Advocis. Then you saw the RFP's form their association and then came your organization. People thought, at the time, that this was an opportunistic move. Was it?**

A It was an opportunistic move for those who wanted to do financial planning in Canada. CIFPs started as affiliate of CIFP, which was associated with the Investment Funds Institute of Canada. Anytime you start an organization, it's nice to have an organization help you. Obviously IFIC did that.

I think we've proven that our cause was pure and we're one of the few organizations in financial services really run by their members. Our cause has been to promote financial planning.

I think we've proven through our activities that we're funded by members and run by members. I don't think it was opportunistic. A lot of the stakeholders realized that having different independent voices with different opinions was good for everyone. Having an organization that can promote high standards in all industry sectors is a good thing to have, too.

Q **Advocis appears to be big on advocacy, but critics feel CIFPs does little in this area?**

A Well, we do. We've been working on a single securities regulator and we'll be focusing on the legislative front where there are specific licensing requirements on the advisor end, whether it's with mutual funds, securities or insurance and how those affect financial planning.

We are taking up a more holistic legislative type of advocacy. There are two main things we want to see. Our members want to get the public interested in financial planning. The public can embrace financial planning; our members can have the environment — for those who want to — to practise a full financial planning mandate: either a fee-based or hybrid model. Within that we want to advocate with the current regulatory structures that if you're holding out in those regulatory areas, it's done in the best interest of financial planning. Long-term on the legislative front, [we hope] there will be a solution to holding out as a financial planner.

Q **Should there be a minimum credential for those holding themselves out to do financial planning?**

A What we had mentioned in our submission to the expert panel was that we obviously supported a single regulator because of the burden on the public and the advisors. Less duplication and some simplification and clarity would be nice.

We also think a radical overhaul has to take place. We actually advocate the United Kingdom's Financial Services Authority model. We would like some rationalization where the administrative conditions for banking, the securities firms and the mutual funds subset of securities are put under one regulatory authority. There are administrative divisions, so that their unique requirements are handled. There's a commonality and efficiency in having regulations at the firm level cross all these things.

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To your question, we think that there has to be separation from advisor compliance and regulation. When you create proficiency rules or compliance that are specifically for the advisor or planner, it counterbalances what the firm's [regulations] are. We all know that's the difficult thing: the advisor's fiduciary duty versus the firm's.

We would like to see that if you hold out to do financial planning, that it is [governed by a] separate level of compliance, experience and level of education. I think that's important because if you look at things right now, you have people holding themselves out as financial planners who don't actually do any financial planning. There is some confusion of what type of designation or licensing people should have to call themselves financial planners.

The third thing would be people outside the industry. There are a fair amount of lawyers and accountants who do a lot of financial planning, who may not have a CFP. We could capture them in the registrant category for securities, but that's not going to do anyone any good. It's a holistic process that sits outside of the registrable activities of the various sectors. I think it's very important that legislatively we carve that out and try to make it work with the structure we have now. Realizing it's separate is really important.

Q **Would you also bring insurance regulation under that regulatory reform?**

A Right across the board, I would have all areas under one body.

Q **Let's look over the past 10 years. How have the technical standards evolved within the CFP, how do you keep it current, how do you keep the designation abreast of what's happening both intellectually and in ethical terms?**

A That's a comment for the FPSC to answer directly. We think it has good practice standards and they audit people to make sure they are ethically the best they can be. They make sure CFPs stay up to date on continuing education. They diligently approve all education providers to make sure their content reflects the current activities.

There are two ways to keep things current. The newest entrants coming in will get the latest education. Ongoing licensing creates a rigid CE regime: that's how you keep up with professional development. It's similar to how the chartered accountants and the accounting bodies do a rigid job in making sure people keep up on the technical know-how.

Q **How frequently is the content updated?**

A We diligently update ours once a year. We consider the CFP program and challenge everyone to look at that as one of the most current and up to date. I can't speak for every provider. One of the things we have added that is relevant to your question is with buying the CIFP — which has its own academic staff and the ability to update material — we have thrown it to a committee of all our great practitioners. There is such a wealth of experts out there, and they are working at [CIFP] to add extra material on the practice side and on the specialty side.

I wanted to get back to our discussion about the regulator aspect of holding out as a financial planner. What's paramount and why we suggest consolidation of oversight is we want to see a common consumer and retail investor experience. There are nuances, but whether I'm at the bank, buying my insurance, buying my investments or doing a fee-based plan, the standards and compliance and expectation of your experience should be consistent.

One of the things we all agree with in the previous work done in the securities sector is the administrative adjudicator for complaints of investors and firms, so there can be a clarity and timely resolution that can happen and a sense of fairness so all investors, including the retail consumers, can have a reasonable and cost-effective solution to their problems.

Q **Consumers have recourse when a product is sold that doesn't meet their plan or risk tolerance. What about plans that don't work out?**

A First of all there's E&O insurance, so people are covered for omissions in the plan. I think getting it right is the ultimate issue.

I want to go back to fee-based planning. The second part of it is that we're not suggesting that the hybrid model — where an advisor also sells product along with planning advice — we are not trying to rip every tree down and say that's terrible. I think we go back to Julia Dublin's concept, which is disclosure. Disclosing and putting a value on services.

The advice you give, whether it's financial planning or investment advice, there is a cost for that. It's there. Some would argue it's carried over in the fees on products, and that's fine. Just disclose what you're getting and let the client know that that certain percentage of their fees goes towards the financial planning you are doing for them. The end investor should know what they are getting charged and why.

Back to your question on the model: yes there has to be some type of administrative body, which is why I suggest a financial services authority. Those assurances have to be built in for investor restitution and resolution.

Whether I'm at the bank, buying my insurance, buying my investments or doing a fee-based plan, the standards and compliance and expectation of your experience should be consistent.

Q **What's the profile of your members?**

A We have those statistics. I can tell you anecdotally that we would have big-book people, we have salaried advisors and we have fee-based advisors. When you ask about where they come from, they come from everywhere.

You are always trying to get scale, but all of our fundamentals are well based. We have a big presence in the bank sectors, credit unions. We're growing in insurance. Obviously we have a presence in the mutual funds. We have people offer advice and sell products, and we have people who are completely fee-based.

If you asked what our biggest sectors would be, they are the credit unions, the banks and mutual fund firms. Insurance is a work in progress.

Q **Why did you break from IFIC? Is CIFPs a for-profit organization?**

A No not at all. We've always had plans to spin off. The CIFP was started by IFIC, just like the CIFPs — and IFIC eventually went off on their own. There were stakeholders in the industry who thought there should be a vibrant planning organization. [When it merged with CAIFA] the advisors in CAFP came to us and said look, we don't like the make up of this merger.

When we started it people were concerned with what's going to happen here. The plan that was presented by Advocis, we just didn't think it was the solution. We started the CIFPs and it was always the plan to spin off from CIFP.

Last year we spun it off. We still work with IFIC, they are important stakeholders and a lot of firms are corporate sponsors. Fundamentally, we thought that financial planning and financial planning education distinctive and really belong in their own organization.

Q **Are you looking at acquiring anything else?**

A We would. In the non-profit or charity world a lot of them have businesses. We have a software division called 724Learning.net, where we sell software solutions. If we have businesses to acquire we will do that. AER