A Question of Value

- Today’s topics
  - Share some important survey result
  - Discuss some of the key findings
  - Identify key challenges
  - Start the discussion on how to address the challenges
Financial Planning
The Road to Profession

- A recap
  - Higher education
  - Specialized body of knowledge
  - Strictly controlled and consistent entrance requirements to the profession (examination)
  - Commitment to ethics and continuous learning
Financial Planning
The Road to Profession

- Must be a truly valued and desirable public service
- This remains our greatest challenge
- Professions don’t exist for themselves, but only to serve a public need
Professional Recognition

Joint Responsibility

Last year I talked about joint responsibility

- FPSC
- Your professional association
- Yourselves

This year I’ll share some things we’ve learned to help with the journey
Financial Planning
The Value Proposition

- The definition accepted by the CFP community worldwide:
  - “The process of creating strategies to help clients manage their financial affairs to meet their life goals.”
- Competencies clearly articulated and well understood by the planning community
- Competency profile in now accepted by CFP community worldwide
- Standards of practice in place and consistent worldwide standards currently being established
- But....
Financial Planning
The Value Proposition

- What about the public?
- Without perceived value by the public that is congruent with the value proposition CFP professionals truly offer, can we ever have a profession?
Financial Planning
The Value Proposition

- The focus of today’s session
  - Independent survey conducted between 2004 and 2008
  - Do Canadians understand financial planning?
  - Do they value it?
  - How does this affect you and the path to a profession, including regulation?
- Today will be an information sharing session that may provide as many questions as answers
Some Take-Away Thoughts

- Is a commission model harmful to professional recognition?
- Is there another approach to the delivery model?
- Is there true value in financial planning for financial planning’s sake?
- What’s the CFP value proposition if it’s not only about comprehensive financial planning?
- Can or should financial planning be regulated independently, and if so, how and how would it help?
Recent FPSC-Commissioned Independent Surveys

- “Understanding the delivery of advice and financial planning services”
  - Credo Consulting 2004 and 2006
- “CFP brand awareness”
  - Strategic Council 2005
- “Canadians’ perceptions of the value of financial planning”
  - 2007/08
The Value Proposition

Some Facts

- The good news in 2008
  - Most Canadians suggest they want professional financial planning and those who are getting it are satisfied
  - 70% of Canadians say they have used the services of a financial planner
  - 91% of those are satisfied (49% “very”)
- But...
The Value Proposition

Some Facts

- This is somewhat in conflict with 2006 survey that suggests
  - “financial planner” is strongly associated with “salesperson”
    - (2006 survey of Canadians)

- And current survey that suggests
  - Canadians prefer not to pay for the service (out of their own pocket at least)
The Value Proposition

Some Facts

- More good news
  - Most people seem to understand that financial planning is not just about investment advice
  - Service Awareness:
    - 89% Investment advice
    - 89% Retirement planning help
    - **79% Making or managing investments**
    - 78% Risk management
    - 75% Planning for major life goals
    - 68% Tax planning
    - 65% Estate planning
  - And, they seem to value it....
Value Proposition

- Financial Planners’ services clearly valued by Canadians
  - Retirement Planning 76%
  - Investment Advice 74%
  - Tax Planning 70%
- Overall value ascribed to
  - Financial planners (57%)
  - Lawyers (59%)
  - Accountants (54%)
- But...
The Value Proposition

- Less than 10% of Canadians claim to have used any of these services:
  - Financial planning/creating a financial plan
  - Insurance/advice (specified)
  - Tax advice/planning
  - Insurance advice (general)
  - Savings plan advice
  - Analysis of finances/financial risk/net worth
  - Budget/Money management
  - Mortgage advice/buying a house
The Value Proposition

Some Facts

- The reasons stated for lack of value
  - Lack of need or not a priority 70%
  - Lack of trust stated by only 8%
  - Too expensive stated by only 7%
The Value Proposition

- Conclusions?
  - Financial Planners are valued
  - Comprehensive financial planning not quite so well valued
The Value Proposition

Some Facts

- What about CFP professionals?
- CFP by far the highest unaided awareness
- Very positive perception of CFP (>80%) by those using the service
- Strong association with
  - “In tune with my needs”
  - “Cares about me”
- Strong association with retirement, investment and financial planning
- This is all consistent with 2007/08 financial planning value survey
- But...
The Value Proposition

Some Facts

- While 44% of Canadians claim to be currently working with an advisor
- Only 18% of Canadians claim to be currently working with a CFP specifically (knowingly)
- 27% are working with an advisor and don’t know that advisor’s credential!
- Which means, 100% of Canadians working with an advisor are either working with a CFP or they don’t know
The Value of Financial Planning

- So what’s going on?
  - On the one hand, Canadians seem to understand that financial planning is more than investments.
  - Further, Canadians seem to value the services beyond investment advice or selection.
  - But, most Canadians still associate “financial planner” with salesperson.
The Value Proposition

Some Facts

- Accountants more likely than financial planners to be described as:
  - Professional
  - Thorough
  - Consistent
  - Unbiased
The Value of Advice

- So where is the disconnect?
  1. Two thirds of Canadians are using non-certified advisors who likely are more truly salespeople, and they generally don’t know the difference
  2. CFP professionals ultimately still do get paid for “selling”, not directly for their advice
  3. Less than 5% describe themselves as fully fee-based for their advice
Value of Advice
The Disconnect

- “How can I charge my clients for something they think they’ve been getting for free.”
- “My clients don’t come to me looking for financial planning, they come to me looking for me to help them make sound investment decisions.”
- Further....
The Value Proposition
More Facts

- Perception of value survey in 2007/08
  - A full 50% of clients prefer commission
  - 25% would like a combination
  - 25% would like to pay directly, but...
The Value Proposition

More Facts

- 85% say it’s worth <$75/hour
- Only 40% say it’s worth >$100 in total
- Only 9% say the plan is worth >$500
- Lawyers and accountants fare better in terms of value
- Financial planners fare on par with plumbers and auto mechanics in dollar value attached to the service
The Value Proposition

The Disconnect

- What have planners told us
  - From 2004 to 2006 there has been less financial planning by CFP professionals
  - Only 59% provide the service to over 50% of their clients in 2006, compared with 71% in 2004
- Is it necessarily surprising?
- What can be done to reverse this trend?
The Value Proposition

The Disconnect

› First – it’s not all bad
  › 97% provide a FP to at least some of their clients
  › 40% to “most” of their clients (compared with 53% in 2004)
The Value Proposition
The Disconnect

- Back to the issue
  - Said one advisor, planners are emphasizing investment decisions because “that’s where the money is.”
  - “Financial planning becomes the added value in a sideways market”
  - “Clients are overwhelmed by the detail of financial planning”
  - “It takes too long to do a full plan”
  - “It’s too hard now with all your standards”
The Challenges

- Clients attribute real value to financial planning once they’ve experienced it but how do they get the experience?

- Clients prefer not to pay directly
- The fees are in the product
The Challenges – Conclusions?

- Fee debate not as much about lack of trust as we thought – while some concern with the commission model, it remains the “preferred” method by clients
- Challenge not in the commission model itself but in the fact that commissions reward transactions, not advice, perpetuating the “financial planner = salesperson” notion
Contradiction #1

- The consumer contradiction
  - Consumers value financial planning
  - Consumers don’t appear to want to pay directly for financial planning
  - This perpetuates “financial planner = salesperson”
Contradiction #2

- The Planner contradiction
  - Planners want to plan
  - Industry rewards product sales
  - Most planners earn their living from selling product
  - “financial planner = salesperson” notion is perpetuated
Contradiction #3

- The regulatory contradiction
  - Planners earn their living from selling product
  - Product sales are regulated through securities and insurance regulators
  - Planners don’t want their compliance departments overseeing their planning activities yet don’t want another layer of regulation
  - Who is going to do it?
The Value Proposition
The Disconnect

- Other challenges
  - Human behaviour
  - The planner’s role
  - Media
- It’s about time!
Addressing the Challenges
Human Behaviour

- Human Behaviour
  - Yes it’s about consumer education, but more...
  - It’s about changing behaviour
  - FPSC and FPSB internationally integrating behavioural science into new competencies
  - Behavioural change takes time
- In many ways financial planning contradicts human behaviour
Addressing the challenges

- What can **you** do?
  - How do you rationalize the “pay for product” versus “value in the plan” contradiction?
  - Creating new fee models?
  - Can you help to effect real change in client behaviour, not just educate?
- Work with your association - CIFPs
Addressing the challenges

- Media
  - Stock market talk sells
Addressing the Challenges

- Acceptance?
  - Is it “okay” that planners don’t plan as much as they say they want to?
    - The public feels it’s being well served
    - The public knows and respects advisors who hold the CFP
Addressing the challenges

- It’s about time
  - Financial planning is, at most, 30 years old in concept
  - Accounting is several hundred
- We are in the genesis
- Patience is a virtue
Addressing the Challenges

FPSC’s Role

- Last year I identified a number of areas that FPSC was addressing many of the challenges identified today
FPSC’s Role
An Update

- Through the support of academia, planning will be elevated
- Partner with universities
  - Dalhousie MBA completed
  - Considerable interest being generated
FPSC’s Role
An Update

- Ongoing relationships with already trusted professions will continue to help elevate financial planning
  - Formal relationship established with CIA
FPSC’s Role
An Update

- The media is the message
- Keep educating the media
- Focus promotion efforts on the FP value proposition
  - e.g. Globe & Mail supplement

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Life is what happens while you are making other plans.
- John Lennon

All we are saying is give financial planning a chance.
- Financial Planners Standards Council
FPSC’s Role
An Update

- Employers hold the key
- Focus more on employers
- Help demonstrate the value proposition as a business model
- Working on comprehensive plan to engage employer community by promoting financial planning organizations
FPSC’s Role
An Update

- Engage public educators
  - BCSC, Ontario government & others
- Participate in government initiatives
  - Ontario fs centre of excellence initiative
- Engage & educate regulators
FPSC’s Role
An Update

- Attract new high quality candidates to the profession and develop students
  - FPSC’s student associate program
  - Career recruitment initiatives
In Summary

- The good news
  - Growing understanding of financial planning
  - Real value attached to planning
  - 70% of Canadians have used the services of a planner
  - Almost 50% currently working with a planner
In Summary

- More good news
  - Consumers are not generally concerned about how financial planners get compensated
  - Most planners doing some planning some of the time
  - One in three Canadians recognize CFP
  - No other designation related to the provision of personal financial advice is recognized by the public
In Summary

- The challenges
  - Consumers, given the choice, prefer not to pay
  - Financial planning still associated with “sales”
  - Planners are caught in a “Catch 22”
  - Consumer behaviour remains inconsistent
  - Most Canadians don’t know their planners’ qualifications
Back over to you....

- Do you understand your own value to your clients?
- Do you sell that value?
- Are commissions harming your profession’s reputation?
- If so, are there real viable alternatives?
- Can you do more with your associations?
- Is there really a regulatory problem? What is it and would self-regulation fix it?
In Summary

- Our challenges on the path to a profession remain clear
- Not all of the answers are obvious
- Keep engaging in these discussions
  - With your clients
  - With your associations and professional bodies
  - With regulators
  - With yourselves
- This is your profession – only you can make it what you want it to be