Understanding Financial Designations and Certifications

[Alphabet Soup of Industry Obfuscation and Self-Promotion or, Real *Gravitas* – You Decide?]

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-WHITE PAPER-
Full Disclosure

This whit-paper, educational blog and communications forum is sponsored by the Institute of Medical Business Advisors, Inc www.MedicalBusinessAdvisors.com and the Certified Medical Planner™ online educational program for financial advisors, consultants and accountants in the healthcare management space. And recently, www.CertifiedMedicalPlanner.com partnered with the modified Wiki initiative www.HealthDictionarySeries.com

In the interest of full disclosure, we are founding members of each but have not accepted any payments for our advisory roles or blog comments. We are also working with several other independent private medical, health economics and financial planning firms to "bridge the intersection of medical mission and profit margin" at both the personal and institutional levels. We edit and manage the professional journal "Healthcare Organizations" [Financial Management Strategies] www.HealthcareFinancials.com Our collective teaching experience is at the graduate, b-school, medical school, internship, residency, fellowship and postgraduate levels.

Formerly, as a practicing physician-executive and nurse-manager respectively, we were involved in the traditional financial services industry two decades ago as insurance agents, financial advisors, stock-brokers, registered investment advisory representatives and a reformed Certified Financial Planner™. In order to "raise-the-bar on behalf of our medical colleagues, we eschewed these financial marketing programs, sales positions and designations in order to launch the Certified Medical Planner™ program in 2005. With its' related logo-mark and professional designation, it represents a much-needed and transparent new breed of fiduciary advisor for healthcare modernity. Our opinions are therefore based on a combined fifty year corpus of experience, education and training; and are solely our own.

The “Financial Advisors”

Until recently, most financial advisors were regulated by the NASD, or the National Association of Securities Dealers. Now, the Financial Industry Regulatory Authority, or FINRA, is the largest non-governmental regulator for all securities firms doing business in the United States. It is a self-regulatory organization [SRO] comprised of the nation’s brokerage firms. Upon completion of a required examination, the FINRA will issue a variety of licenses. The most common are the Series 6, 7, and 24.

The Series #6 is essentially a license to sell packaged products, namely mutual funds. It is most commonly held by insurance agents and bank representatives. It is considered a very easy test. Holding such a license allows the holder to collect commission income through its member firm.

The Series #7 exam is a bit more difficult and includes issues relating to individual securities such as stocks, bonds and limited partnership interests. The pass rate is lower than the Series #6. The probable culprit is the extensive questioning on margin and options, topics most are unfamiliar with prior to entering the securities business.

The Series #24 covers issues of compliance and supervision and is required of Branch Managers of brokerage firms. All registered representatives (the proper name for a broker) must be supervised by someone with a Series #24, also known as a principal’s license.

Checking the background of a registered representative, a branch manager or a member firm is easily done through NASD and/or FINRA, Inc. NASDR/FINRA maintains the Central Registration Depository (CRD). The CRD can be checked for a description of a disclosed event by phone or by Internet. One should request information on an advisor’s firm as well as the individual. A reputable advisor, at a disreputable firm, has its own set of potentially dangerous implications.

Regardless of the above, these tests produce licenses to sell financial products. They are not educational achievements. There is virtually no academic barrier of entry for them. Stock-brokers today - hate the term - and prefer “financial advisor”, “wealth manager”, or “vice-president”; yet the terms have no real meaning other than as a sales license

Enter the "Quasi" Financial Services Industry Credentials

Perhaps because of - or in spite of - the above, the following list of "certifications" enumerates only a partial exposure of "credentials" that presently exist in the financial services marketplace. Some of these designations are awarded after a semblance of diligent study and testing; others not so. The individuals may hold some formal education and/as evidenced by the credentials and be of high ethics and competence; others may not. Moreover, not all credentials are the same.

Some credentialing bodies have educational requirements that require years of experience and a thorough background search. Others are awarded after only a few hours of study. Others do not even require a college degree or high-school diploma, and virtually all - but not every - remain electively non-fiduciary in nature.

We therefore believe that any so called "best-in-class" *imprimatur* may not necessarily be an industry high-bar, if that space itself is suspect. For example, the recent investment banking, credit ratings and home mortgage appraisal debacles; notwithstanding the tech bubble of 2000, PPMC debacle in the late 1990s, and the gas and oil limited partnerships and tax schemes touted and sold years before.

So, we are not just writers, editors, publishers or journalists in this regard. In other words, we have - "been there and done that" - as industry insiders; and the inside is not always pretty from the client's point-of-view.

An alphabetical listing for some of these financial designations now follows.

Certifications and Designations Marks of the Financial Services Industry

AAMS – Accredited Asset Management Specialist
AEP – Accredited Estate Planner
AFC – Accredited Financial Counselor
AIF – Accredited Investment Fiduciary
AIFA – Accredited Investment Fiduciary Auditor
APP – Asset Protection Planner
BCA – Board Certified in Annuities
BCAA – Board Certified in Asset Allocation
BCE – Board Certified in Estate Planning
BCM – Board Certified in Mutual Funds
BCS – Board Certified in Securities
C3DWP – 3 Dimensional Wealth Practitioners
CAA – Certified Annuity Advisor
CAC – Certified Annuity Consultant
CAIA – Chartered Alternative Investment Analyst
CAM – Chartered Asset Manager
CAS – Chartered Annuity Specialist
CCPS – Certified College Planning Specialist
CDFA – Certified Divorce Financial Analyst
CEA – Certified Estate Advisor
CEBS – Certified Employee Benefit Specialist
CEP – Certified Estate Planner
CEPP – Chartered Estate Planning Practitioner
CFA – Chartered Financial Analyst
CFE – Certified Financial Educator
CFG – Certified Financial Gerontologist
CFP – Certified Financial Planner©
CFPN – Christian Financial Professionals Network Certified Member
CFS – Certified Fund Specialist
ChFC – Chartered Financial Consultant
ChFE – Chartered Financial Engineer
CIC – Chartered Investment Counselor
CIMA – Certified Investment Analyst
CIMC – Certified Investment Management Consultant
CLTC –Certified in Long Term Care
CMFC – Chartered Mutual Fund Counselor
CMP – Certified Medical Planner™
CPC – Certified Pension Consultant
CPHQ – Certified Professional in Healthcare Quality
CPHQ – Certified Physician in Healthcare Quality
CPM – Chartered Portfolio Manager
CRA – Certified Retirement Administrator
CRC – Certified Retirement Counselor
CRFA – Certified Retirement Financial Advisor

CRP – Certified Risk Professional
CRPC – Chartered Retirement Planning Counselor
CRPS – Chartered Retirement Plan Specialist
CSA – Certified Senior Advisor
CSC – Certified Senior Consultant
CSFP – Certified Senior Financial Planner
CSS – Certified Senior Specialist
CTEP – Chartered Trust and Estate Planner
CTFA – Certified Trust and Financial Advisor
CWC – Certified Wealth Counselor
CWM – Chartered Wealth Manager
CWPP – Certified Wealth Preservation Planner
ECS – Elder Care Specialist
FAD – financial Analyst Designate
FIC – Fraternal Insurance Counselor
FLMI – Fellow Life Management Institute
FRM – Financial Risk Manager
FSS – Financial Services Specialist
LIFA – Licensed Insurance Financial Analyst
MFP – Master Financial Professional
MSFS – Masters of Science in Financial Service Degree
PFS – Personal Financial Specialist
PPC – Professional Plan Consultant
QFP – Qualified Financial Planner
REBC – Registered Employee Benefits Consultant
RFA – Registered Financial Associate
RFC – Registered Financial Consultant
RFG – Registered Financial Gerontologist
RFP – Registered Financial Planner
RFS – Registered Financial Specialist
RHU – Registered Health Underwriter
RPA – Registered Plans Associate
WMS – Wealth Management Specialist

Insider's Report

The above list is intentionally incomplete and it is not intended to be an endorsement of any credential. So called designations spread across multiple industries, and some successfully promote the trade "mark", rather than what it truly - or - apparently signifies, better than others. And, organizational groups membership numbers do not translate necessarily into competence or integrity.

For example, there is an alphabet-soup of designations in the brokerage and securities fields, another alphabet list in the insurance industry, another within finance, banking and for analysts, accountants and cash managers.

Designations exist for those who meet face to face with prospective customers, another for those who provide client service, and yet another in underwriting the various insurance products.

Certainly when the designations are complied in a list such above, they present a dizzying array of apparent qualifications. While general education for the financial service provider is good for all, education on products serve mostly to overcome objections and sell these financial vehicles. There are certain things that medicals professional should do, as proper due-diligence, to protect your family, practice and your financial assets.

So, consider the following when selecting a financial advisor.

Selecting Financial Advisors

First decide, if as a physician or medical professional, you really need a financial advisor, or not. With college, medical or nursing school, internship, residency training and fellowship under you belt, the knowledge base of the financial services industry is almost quaint. You can lean, most all of what you need to know, quite easily on your own. And, with a plethora of modern online programs, self-education is a snap even for the time constrained doctor. After all, no one will look after your money, better than you!

In other words, reasoned and unemotional do-it-yourself stock selection with proper diversification, tax-efficient index funds, some bonds, cash and international exposure with ETFs; will get you to 80% of your goals. Execution however, is another matter. So, coaches and psychologists are probably better suited in this regard. Financial advisors, accountants, insurance counselors and attorneys are always available for periodic check-ups and more detailed suggestions. Pay them for this advice … Next!

Experience counts …above all, find out how long your potential advisor has been in business, or how long his company has been in business before making any purchases ... either the individual or the company that s/he works for has a reputation to protect. Yet, there is good experience, and there is bad. And, always remembers that he - or she - usually works for the company first, not you. Just follow the money … your checkbook … who it is made out to … and who signs the advisors pay-stub? Brokerages agreements that waive your right to sue, thru so-called arbitration clauses, are always suspect. Most appeals are rejected.

Many of those who hold financial designations offer a product or service for sale. It is fair for you to ask your financial services product-provider what they do, and how they get paid; by whom, how much and on what terms. Understand their areas of specialization. Some may specialize in just life insurance or annuities, or health insurance or long-term-care insurance products.

Meet with them, face to face and if possible at their office … brick and mortar may add to credibility; or not. Ask about registration or licenses. Anyone who sells a financial or insurance product must be registered in the state in which he/she does business. Is the license current? Have there been any disciplinary actions? While important, these are pretty much meaningless relative to honesty, integrity and competence. They all pretty much just mean that the advisor is following the herd to reduce personal liability; rightly or wrongly.

Form ADV

By law, financial advisors must provide a form ADV Part II or a brochure that covers the same information. Even if a brochure is provided, ask for the ADV. While it is acceptable, even desirable, for the brochure to be easier to read than the ADV; the ADV is what is filed with the appropriate state or SEC. If the brochure reads more like a slick sales brochure, or the information in the brochure glosses over the items on the ADV to a high degree, one should consider eliminating the advisor from consideration.

The ADV will describe the advisor’s background and employment history, including any prior disciplinary issues. It will describe the ownership of the firm and outline how the firm and advisor are compensated. Any referral arrangements will be described. If an advisor has an interest in any of the investments to be recommended, it must be listed as well as the fee schedule. There is also a description of the types of investments recommended and the types of research information that is used.

A review of the ADV should result in an alignment of what the advisor said during the personal interview and what is filed with the regulators. If there is a clear discrepancy, choose another advisor. If it is unclear, discuss the issue with the advisor.

Financial Services Industry Membership Organizations

CFP™ Board of Standards

This is a professional regulatory body that owns and licenses the Certified Financial Planner™ designation and the marks, CFP™. Licensing is a strictly voluntary activity www.CFP-Board.org as is the contentious fiduciary status, which is undergoing debate among association members; with vocal proponents and detractors on both sides of the issue. However, holding the CFP™ mark does not necessarily allow a financial advisor the ability to sell any more, less, or other types of product, than one who does not hold the designation. It is purely a marketing artifice, with educational component, striving for "professional" recognition. We are no longer members, for example.

FPA – Financial Planning Association

This group, officially formed in January 2000, created a central organization for the financial planning "profession" www.fpanet.org Membership is option and voluntary. We are not members, for example, and retain their "membership-fees" as prudent health economists.

Of course there are many more similar fraternal and sales organizations.

Registered Investment Advisor Representative

This is not a designation but a registration with either a state securities office or the Securities and Exchange Commission. Obtaining such requires the filing of a form called an ADV and the submission of a modest fee. There are no experience requirements or exams. Generally, the sales product employee is a RIA representative, of the RIA entity

Compensation Issues

It is important to understand how advisors will be paid. If you engage their services, will you pay an hourly fee or a flat fee? If they manage your investment assets, do they earn a commission or do they charge a percentage fee for the assets that they manage? Are accounts fees put on "autopilot, or do providers have to earn their compensation every day?

For financial planning services, do providers they charge you by the hour, by the project or by the plan? If they sell products, do they get paid commission on the sale of a product? Do they earn bonuses, trips or awards for sales of certain products or during a certain time of the year? While it is understandable that a manufacturer would offer incentives to a sales person, it would certainly not be in your interest if your financial or insurance portfolio were built so that a salesperson could qualify for a bonus trip to an exotic location.

Fee-Only Concept

This is a term to describe a method of compensation. It is supposed to be used to describe a service, an advisor, and/or a firm. Here, no portion of the compensation is derived based upon the purchase or sale of a financial product either directly or indirectly. Essentially, no commissions are received. In order to establish a fee-only practice, one need only register as an investment advisor as described above. Accordingly, fee-only has no relevance to the competence of the advisor in question whatsoever; just compensation.

Moreover, the most common ethical abuse of the term fee-only, however, manifests itself in the area of investment management. A doctor or other client pays an annual fee but is not made aware that some investments that are purchased, usually mutual funds, will also pay 12b-1 fees (trail commissions) to the brokerage firm. Despite the commission, the arrangement is presented as fee-only. Anytime the advisor has a FINRA license, one should ask and be told what role 12b-1s will play in the relationship.

Investment Policy Statement (IPS)

If investment management is one of the primary services desired by a medical professional, there is a shortcut question that should be asked of a financial advisor: "May I see an Investment Policy Statement?" If the advisor's answer is; "What is that?" move on.

An Investment Policy Statement (IPS) is simply a document that covers the policies, practices, and procedures for managing an investment portfolio. A well-written IPS helps ensure the long-term adherence to an investment strategy. One should not retain an advisor who does not make the creation of a proper IPS a central component of the planning process. Stock-brokers generally do not produce IPSs.

Dual Registration Conundrum

To complicate matters for the physician-consumer, a great number of advisors are dually registered as investment advisors, and as representatives of an NASD member firm and fall under both regulatory structures. So, it is possible for an advisor to deal with several regulatory bodies during the course of the day. This was our former background.

The Fiduciary Conundrum [Is s/he – or – isn't s/he?]

These new professional designations, awarded by the fiduciary [fi360] organization, demonstrate a focus on all the components of a comprehensive investment process, related fiduciary standards of care and commitment to excellence [www.fi360.com]

Accredited Investment Fiduciary

Since October 2002, the Accredited Investment Fiduciary® (AIF®) designation has been the mark of commitment to a standard of investment fiduciary excellence. Those who earn the AIF® mark successfully complete a specialized program on investment fiduciary standards-of-care and subsequently passed a comprehensive examination. AIF® designees demonstrate a thorough understanding of fi360's Prudent Practices for investment advisors and stewards.

Accredited Investment Fiduciary Analyst

In response to a need for professional training to perform fiduciary assessments, the Accredited Investment Fiduciary Analyst® (AIFA®) designation was introduced, in May 2006. Holders of the AIFA® mark successfully complete a specialized program on investment fiduciary standards of care and ISO assessment procedures, pass a comprehensive examination, and meet the designation's education and professional experience prerequisites. The AIFA® designees hold the knowledge necessary to understand and implement a prudent process for Investment Stewards, Investment Advisors, and Investment Managers and can perform fiduciary assessments to verify or certify an entity's conformity to CEFEX's Global Fiduciary Standard of Excellence.

AIF® and AIFA® designees undergo an initial training program, annual continuing education, and pledge to abide by the designation's code of ethics www.fi360.com. But, you do not have to belong to this organization to be a trusted fiduciary, or to put client interest first. Nevertheless, it is always a good idea to get your advisor's fiduciary status, on your behalf, in writing.

Enter the Certified Medical Planner™ Designation

With the potential "elective or firm" addition of fiduciary requirements to the CFP® Board's Standard of Professional Conduct, the adoption of the Pension Protection Act [PPA], and the vacating of the broker-dealer exemption that allowed "stock-brokers to give incidental advice", the need for health economics education in the physician advisory space is at an all-time high.

The online Certified Medical Planner™ program imparts the healthcare specificity - physician focused financial planning knowledge - and integrated medical practice management expertise that is needed to help devise solutions that raise the bar of fiduciary and degreed advisory competence for all those serving medical professionals in the modern era www.CertifiedMedicalPlanner.com

On the other hand, lack of visibility and a paucity in numbers can be a real problem, according to Dean of Admissions for the program, Eugene Schmuckler, PhD. "No mater how good a new widget might be, it helps little if not known in the appropriate niche arena." And so, a short-term goal of iMBA Inc, sponsor of the program, is to vigorously promote the CMP™ designation in order to grow it beyond its current several dozen or so, practitioners.

The Cost of Advice

Hourly rates vary widely. In less affluent areas of the country rates will start at about $100 / hour. In other circumstances, or for the complicated situations of some medical professionals, rates can go as high as several hundred dollars per hour. Flat rates for producing a plan for a family with relatively simple needs should be a few hundred dollars. Households with estates in excess of $2 million should expect to pay about $1,500 at a minimum. Physicians, with practice ownership and risk management issues; about $4,500 - $7,500 etc

For investment management services provided on a percentage of assets basis, the fee structures also vary widely. To gain a perspective on these costs, the average annual expenses of a mutual fund in the United States is around 1.5 percent, with a sliding scale thereafter. Less is better. There is a bias to equities which increased advisor compensation. Work for the advisor is front loaded; pay it. Thereafter, it is usually not; dispute it!

If individual securities are used there will be no fund expenses. However, it takes a higher level of research and attention to effectively manage a portfolio of individual securities. Therefore, add one-quarter percent to the maximums listed above. This is not the norm. Most of these asset management programs are outsourced, on the cheap.

Degrees *versus* Certifications and Designations

Finally, for competence and pure educational swagger, a degree trumps an industry certification or trade designation almost every time. In medicine for example, the doctoral degree comes before the specialty certification designation.

Rest assured, certifications do have their place in the financial services didactic hierarchy, but such letters are often meant to impress and obfuscate. After all, if you had an MBA in business, master's degree in accounting (MSA), advanced degree in economics, or a PhD in finance, wouldn't you use it in your professional life? If not; use a certification to impress.

And, when you don't', one of the many financial service certifications seems to suffice. In fact, we recall a seminar where one attendee proudly proclaimed his insurance CLU designation was, *"like the equivalent of a PhD in insurance"* (cheese)! After honest inquiry, his terminal degree was an admitted GED.

Assessment

As a doctor, nurse or other medical professional, you are a fiduciary to your patients - at all times. No opting out! You owe them your highest and best duty. You put their interests ahead of your own. Why shouldn't your financial "advisor" do the same for you? If not – get another advisor, or better yet; study, learn and do-it-yourself.

Conclusion

Regardless of whom you select as an advisor - if any - what degrees, certifications and credentials they possess and why; remember to get their promise to work for you as a fiduciary, in writing. Avoid potential conflicts of interest on the front-end, so you might prosper on the back-end.

In our opinion, this is the ultimate “F-bomb” that separates sales-professionals from true financial advisors; a distinction that all medical professional, and laymen alike, ought to appreciate.

And always remember; when it comes to this space and your money; *caveat emptor, caveat vendor* and *caveat doctor!*

Please comment and opine on this hotly contested issue. We are always open to your cogent thoughts, informed corrections, ideas and additions in the spirit of collegiality and full disclosure.

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Related Information Sources:
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Physician Financial Planning: http://www.jbpub.com/catalog/0763745790
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