

**To:**  
**Dr. David E. Marcinko, and all Medical Executive-Post  
Readers and Subscribers to HealthcareFinancials.com**



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**RE: Dr. Basu Responds**

**Dear Readers,**

First of all, I would like to express my gratitude to all of you to have been so engaged in this discussion, which shows a keen understanding of just how important it is to maintain individual financial and mental health, as well as preserve society's well being.

I received numerous e-mails that were nearly unanimous in support of my unwavering opinions about restoring trust in the CFP® mark, as the title of my op-ed piece suggests. I thank you all for speaking your mind, regardless of whether or not you support my position, and believe that we become intellectually richer as a nation when we express such spirited disagreement.

Of course, I feel compelled to respond to some of the points that Financial Advisor readers raised. Let me begin by saying that the CFP® mark is indeed the hallmark in this financial advisory field, which is cluttered by credentials that have created a veritable alphabet soup of professional designations. It is obvious from the proliferation of these credentials that the target is an unsuspecting public. To that effect, owners of the CFP® mark seek a role to differentiate themselves as purveyors of the profession/trade of a higher order and quality of service.

Having said that, it becomes even more important for the CFP® board (and all the certificant) to be introspective, and accept and understand the inherent weaknesses of the mark so that the necessary improvements can be made. Here are some of these weaknesses I have observed that require further scrutiny:

- 1) The requirement for three years of experience, which can be earned by working in a financial institution (e.g., brokerage houses and insurance agencies) that clearly specify the only way to survive in the job is to sell to the “natural market” (i.e., to family and friends). Sales volume targets are specified. As long as you can sell, you earn commissions. Otherwise, you are out the door. And by the way, the fine print in your contract mentioned that you cannot take with you any friends and family (now the company’s clients). Most anyone who really wants one of these jobs can get one and deliver their natural markets to these companies. I once heard an internal presentation to agents on selling techniques that suggested a cinnamon roll be heated in a microwave oven (read “wafting smells”) before the client was shown in!
  - a. ***This kind of work does not constitute as experience, which leads to a serious ethical problem whether attained within or outside such institutions.***
  - b. Financial institutions are supposed to teach their employees about the suitability of different financial products for different types of clients. This is an abomination that the SEC and its compliant arm, FINRA, have created. Which company in its right mind (i.e., maximizing shareholder wealth) would want to train its employees to minimize sales? Thus, it is unfair to lump employees as being unethical. Brokers/agents have families to care for and mortgages to pay just like anyone else. If their institutional sales targets make the unsuitable products the most easy and lucrative to sell, then how many of us would not want to maximize our (and our family’s) own utilities for the sake of our conscience and ethics?
  - c. Bundling insurance and investment products that sell fear of premature death with a high commission/surrender charge tag in the form of a variable life policy or annuity is one of the ways in which these unsuitable products evolved. Selling insurance is not the same as selling investment products – why do so?
- 2) The CFP® exam is *not Darwinian*. A simple check of the CPA/CFA exam will reveal this fallacy; leave alone the bar or the medical exams. Case in point: There are 89 topics that the board curriculum covers. About half have analytical content. Yet, in all my years of exam feedback, I have heard the singular comment that not more than 10 to 15 of the questions (out of 285) require a calculator. The exam is randomly selected from about 14,000 questions. I cannot understand the underlying probability conditions. Maybe it’s a couple of classes I missed. It was my standard gripe when I attended CFP® program director meetings. No one listened to me then and probably no one will ever listen. I am a professor of investments (the only area I understand within financial planning). Professors from other fields may have similar recertification examination ideas. Obviously, the idea is to test the depth, and not breadth, of knowledge.
  - a. As another example consider the single topic (of 89 topics) on macroeconomics. How important is an understanding of this subject in managing money? One could easily do two semester level courses to scratch this subject, yet people with the understanding from a single topic manage millions of dollars. How about certificants taking a basic business school investment exam (undergraduate or graduate) as a recertification requirement – and yes, do not forget to bring those calculators?
  - b. ***The above issues lead to a serious competency problem.***

- c. The 89 topic list should be made public (i.e., easily accessible and widely disseminated) so that any and all consumers (especially knowledgeable ones) can decide whether or not the topics are product-based.

Finally, for those commentators who feel that I am an armchair professor with no practical experience, I have managed (moonlighting) more money than the average dollars under management for all those who profess this trade. I also once qualified for a financial advisory job with a large firm (earned my Series 7, which is still a bad joke, and insurance license) and served as a financial advisor for half a day! But that is another story.

I am still a fervent believer that consumers deserve high quality (i.e., ethical and competent) service and that the CFP® board truly has an opportunity of developing exemplary professionals for the future.

As previously mentioned, I am a professor of finance and not a financial planner. I know how much I do not know about investments. After 25 years of work in this field, I feel I know the subject of investments a little bit more than anything else. It is thus very humbling to be able to offer up my opinion to each of you.

For that, I express my gratitude and warmest regards.

**Somnath Basu, PhD**

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