CFP Board Wants U.S. to Rate Financial Certifications

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The Certified Financial Planner Board of Standards has written a letter to the Consumer Financial Protection Bureau urging the recently established agency to create a ratings system for financial certifications and designations.

The CFP Board included in its comment letter the findings from a recent survey indicating that more than half of the CFP professionals polled have worked with an older client who has been subject to unfair, deceptive or abusive practices in the delivery of financial advice or the sale of financial products.

In its letter, the CFP Board noted that with more than 140 designations currently in use in the delivery of financial services, including the company's own Certified Financial Planner designation, "senior investors are particularly vulnerable to confusion about professional designations and certifications."

As the CFP Board noted, financial designations vary significantly and investors have no meaningful way of comparing their legitimacy, value or authenticity. With no federal or consistent state regulation or oversight of certifications and designations, Americans—especially senior citizens—are left on their own to sort through the alphabet soup of letters at the end of a financial professional's name.

The CFP Board urged the CFPB to take practical steps to reduce the misleading use of certifications and designations. The CPFB was established under the Dodd-Frank Wall Street Reform and Consumer Protection Act and operates under the auspices of the Federal Reserve.

The CFP Board recommended that the CFPB establish a rating system for professional certifications and designations by identifying qualitative and quantitative standards, based on best practices for certifications, against which certifications and designations can be evaluated. The rating system would rank designations from the highest tier to those that are so deficient that their use in marketing is presumptively misleading or deceptive. The CFPB would then communicate the rating system through an educational campaign to educate older Americans on how to use the system to evaluate the financial designations.

The CFP Board suggested that CFPB could use the standards upon which the CFP certification is based—an accredited certification program that requires substantial education and experience, a fair, valid and reliable exam that measures competencies for the standard of practice, continuing education required to maintain competencies, high professional and ethical standards, and a rigorous enforcement process that includes revocation of the certification, evidence that revocation is implemented, and public notice of disciplinary actions—as the model for the types of criteria that should be used to evaluate financial service designations.

The CFP Board also urged the CFPB to support legislative and regulatory reforms to protect older Americans, including to encourage policies that support the delivery of financial advice to older Americans under a fiduciary standard of care. The board encouraged reforms on a state or federal level that would require those who work with seniors to meet baseline competency and ethical standards. The board also said the CPFB should address the use of misleading titles, as with financial professionals who hold themselves out as financial planners without meeting competency or ethical requirements, by encouraging the implementation of the Government Accountability Office recommendations to gather additional data on this consumer protection issue that affects older Americans.

The comment letter included the results of a survey conducted by APCO Insight for the CFP Board which received responses from more than 2,600 CFP professionals regarding their work with older clients who have been targeted for financial fraud and abuse at the hands of a financial advisor. In addition, in-depth interviews were conducted with select CFP professionals to further explore older clients' experiences with questionable financial practices.

Fifty-six percent of the CFP professionals surveyed said they personally have worked with an older client who has been subject to unfair, deceptive or abusive practices in the delivery of financial advice or the sale of financial products. Another 32 percent said they personally know of an older non-client who has been subject to such practices.

While the vast majority of CFP professionals always or often encouraged older victims of financial abuse to report abuse to the authorities, the median estimate of the CFP professionals was that only 5 percent of those victims actually did report abuse.

The CFP professionals polled said they are aware of a variety of abusive practices in the delivery of financial advice or the sale of financial products. Seventy-three percent were aware of older investors who have been invited to “free meal” seminars that are actually sales pitches, while 58 percent were aware of older investors who have received unsolicited pitches for financial products or services. Half of the CFPs surveyed said they were aware of older investors who have been offered high-yielding investments described as no-risk or low-risk, while 34 percent were aware of older investors who have been pitched for prize-winning scams. Twenty percent were aware of older investors who have been subject to power of attorney or guardian abuse, among many other types of misleading or fraudulent practices.

The majority of those surveyed found older Americans are subject to a variety of practices that could violate federal and state laws and regulations. Seventy-four percent of the CFP professionals polled were aware of older investors who have been offered unsuitable financial products, while 58 percent said they were aware of older investors who have been subject to omission of material facts about financial products. Nearly half of the survey respondents (48 percent) were aware of older investors who have been subject to misrepresentations about financial products; while 46 percent were aware of older investors who have been subject to negligence or lack of follow-up in connection with financial products.

The financial products involved in unfair, deceptive or abusive practice witnessed by CFP professionals most often included equity indexed or variable annuities (76 percent), variable life insurance (32 percent), mutual funds (29 percent), and universal or whole life insurance (28 percent).