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# Is Your Adviser Pumping Up His Credentials?

*Those Fancy Initials After Your Financial Adviser's Name Might Not Be As Impressive as They Seem*

By JASON ZWEIG and MARY PILON

Just when Americans seem more desperate than ever for trustworthy investment advice, financial advisers are brandishing a baffling array of new credentials—some of which can be earned with minimal or no study and a few hundred dollars.




WSJ reporter Mary Pilon talks about the alphabet soup of credentials in the financial planning industry - and the dizzying confusion it's created for investors.

Increasingly, say regulators, financial advisers are using these dubious designations as marketing tools to win the trust of older, wealthier clients, in hopes of selling high-fee investments that aren't appropriate for them.

"State securities regulators have been very worried about this," says Denise Voigt Crawford, securities commissioner for the state of Texas and past president of the North American Securities Administrators Association. "We are taking a growing number of administrative actions against people using designations as part and parcel of fraudulent securities activities, especially with older people."

Professional certifications arose decades ago as a way for firms in various industries to identify qualified practitioners.

In the financial realm, many well-established credentials, including the certified public accountant, chartered financial analyst and certified financial planner designations, require long study, demand continuing education and enforce strict codes of ethics. In order to become a CPA, for example, one must pass a 14-hour CPA exam.

Many newer credentials, however, require comparatively little effort on the part of the students.

In recent years the number of financial credentials has soared. According to the Financial Industry Regulatory Authority, which oversees how investments are marketed to the public, there are at least 95 different professional designations for financial advisers—nearly double the 48 it listed in

2005.

### Alphabet Soup

See a list of some of the credentials available to financial-services professionals, including those tracked by the Financial Industry Regulatory Authority and others that are less well-documented.

More photos and interactive graphics

The Wall Street Journal has found at least 115 others that aren't tracked by Finra.

Many credentials sound confusingly similar. At least six identified by the Journal, for example, contain the word "senior": certified senior adviser, certified senior consultant, certified senior specialist, certified senior financial planner, chartered senior financial planner and chartered adviser for senior living.

There aren't any statistics tracking the number of advisers who carry various credentials, but many indicators suggest rapid growth. There were 61,847 certified financial planners (CFPs) in the U.S. as of Sept. 30, according to the CFP Board of Standards—a 70% rise from 10 years earlier. The American Academy of Financial Management, a group that offers 17 different designations, says it has more than 45,000 members all told, up from only a few hundred a decade ago.

### Street Cred

Some professional credentials are more difficult to earn than others. A few examples:

| HIGHLY RIGOROUS | LESS RIGOROUS |
|---|---|
| **Chartered financial analyst** (CFA): Requires roughly 900 hours of study in accounting, economics, ethics, finance and mathematics; students must pass three six-hour exams. | **Certified retirement financial adviser** (CRFA): Students must pass one 100-question exam, for which 40 to 75 hours of preparation are usually sufficient. |
| **Certified public accountant** (CPA): Students must hold a bachelor's degree with a concentration in accounting and pass a 14-hour CPA exam. | **Certified senior adviser** (CSA): Students must pass a three-hour, 150-question exam. |
| **Certified financial planner** (CFP): Students must take the equivalent of 15 credit hours of undergraduate-level courses, culminating in 10 hours of exams spread over two days. | **Chartered senior financial planner** (CSFP): Students must take a three-day review course and pass an exam that is usually finished in two to three hours. |

Source: WSJ research

The vast majority of financial-services professionals are honest and competent. And there is nothing inherently wrong with collecting credentials. But while some are rigorous, says John Gannon, head of investor education at Finra, "others you could probably get in a weekend."

The certified retirement financial adviser, or CRFA, for example, sounds similar to the CFA designation. But the CFA requires roughly 900 hours of study in accounting, economics, ethics, finance and mathematics, and only 42% of candidates pass its three required exams, a process that can take several years.

The CRFA, by contrast, requires that students pass one exam consisting of 100 multiple-choice questions, for which 40 to 75 hours of preparation is typically sufficient preparation, says Lynda McColl, a spokeswoman for the Society of Certified Retirement Financial Advisors, which grants the CRFA designation.

### What You Can Do

How can you ensure that a financial adviser with credentials is credible? You will have to do your own due diligence. A good starting place is Finra's BrokerCheck, at www.finra.org/Investors/ToolsCalculators/BrokerCheck/, which lists advisers' education and qualifications and any customer complaints or regulatory actions against them. If you can't find the adviser, call

"To my knowledge, I have not had a complaint from anyone who has confused the CFA and the CRFA mark," says Ms. McColl.

In much the same way, the CSFP, or chartered senior financial planner, credential could be confused with the certified financial planner, or CFP, designation. The CFP, established in 1972, requires that students pass the equivalent of 15 credit

800-289-9999 and ask a Finra staff member to help. Finra doesn't provide information on advisers who aren't registered to sell securities.

You also can contact your state insurance and securities regulators, whom you can locate through the websites of the National Association of Insurance Commissioners (www.naic.org) and the North American Securities Administrators Association (www.nasaa.org).

Any investment adviser who is registered with the Securities and Exchange Commission must supply you with a copy of "Form ADV," a standard disclosure form filed with the SEC. The ADV lists potential conflicts of interest and past disciplinary infractions. Be sure you get both Part I and Part II of the form.

Investors also should ask a prospective adviser whether he or she has had any run-ins with regulators not listed elsewhere.

Finally, ask plenty of questions about the initials after the adviser's name. Which organization grants the credential? How much study was required? What must be done to maintain the designation? Is there a code of ethics?

Send an email or make a quick phone call to the organization that sponsors a credential you haven't heard of; ask what (besides writing a check) is required to earn the designation, whether your adviser is in good standing, how complaints from consumers are handled and whether the group displays all disciplinary actions on its website. —J.Z. and M.P.


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F.Martin Ramin for The Wall Street Journal

hours of college-level courses, culminating in 10 hours of exams.

The CSFP, launched in 2003, requires a three-day review course and the passing of one two- to three-hour exam.

CSFP holders are required to spell out "chartered senior financial planner" in their marketing materials, says Stewart Davidson, president of the Association of Chartered Senior Financial Planners.

The American Academy of Financial Management, based in New Orleans, awards numerous designations, including the CAM, CMA, CPM, CTEP and CWM (chartered asset manager, chartered market analyst, chartered portfolio manager, chartered trust and estate planner and chartered wealth manager).

According to the academy's website, "If you have an accredited degree, license, or masters degree from a government recognized or accredited program or educational institution with a concentration in [Finance, Investments, Securities, Economics or Accounting], you may be immediately eligible for a Professional Designation."

One designation, the MFP, or master financial professional, is a "gateway credential," says AAFM president George Mentz. It requires a graduate or undergraduate degree that includes five or more approved business courses and an AAFM certification course. But according to Mr. Mentz, those requirements can be waived for anyone with sufficient professional experience who is willing to make "certification, registration and initiation payments," typically $300 or more. There is no exam to become an MFP.

For students, Mr. Mentz says, the double accreditation "would signal that you've completed a double accredited degree from one of the top schools in the world. It helps show that an individual is engaged in a higher code of conduct."

Similarly, the registered financial consultant designation, granted by the International Association of Registered Financial Consultants, requires four years of previous industry experience, a degree in finance or one of several professional designations, and no suspensions or revocations of professional licenses. There is an open-book, online exam, says Edwin Morrow, chairman of the IARFC.

Other requirements: a $45 application fee and a $150 annual membership fee. Among the "valuable IARFC member benefits" the organization offers, according to an invoice obtained by the

Journal, are "marketing and image brochures," "impressive professional certificates" and "RFC image jewelry."

"They cannot obtain the jewelry or brochures unless they've gone through the membership process," says Mr. Morrow.

Credentials can help advisers make more money. A 2007 study by Finra's educational foundation determined that 46% of older investors were more likely to accept financial guidance from someone with a professional designation—and 17% of investors would be more receptive to advice from a "certified adviser for senior investing," even though such a credential doesn't exist.

A 2009 survey commissioned by the Million Dollar Round Table, a trade association of financial advisers, found that insurance agents and advisers who market themselves as "experts" report 40% more in annual revenues, $590,000 versus $420,000.

Matt Thornhill, founder and president of the Boomer Project, the market-research firm that conducted the survey, presented the findings to an audience of advisers in February 2009. "Maybe getting that extra couple of letters after your name is a pretty good idea," he told them, "because it leads to a path that looks like it has more revenue."

Mr. Thornhill now says his comment was directed only at "legitimate" credentials. "I'm in no way promoting just getting some set of random letters behind your name."

One purveyor of financial designations, the AAFM, may be padding its own credentials by claiming relationships with industry luminaries and groups that they say don't exist.

The AAFM's website features a "Global Board of Academic Advisors & Professors." The board members, says the AAFM's Mr. Mentz, have "received faculty awards and agreed to be faculty advisers. If they don't want that anymore, they're free to contact me."

One such "adviser," Campbell Harvey, is a finance professor at Duke University. Contacted by the Journal, he stated by e-mail that "I have never advised them on anything" and "did not agree to be an adviser."

Another, Jacob Gold, is a financial planner in Scottsdale, Ariz., who says he once held a designation from AAFM but "years ago" let it lapse. "I did not know I was an 'honorary adviser,' nor do I know what that means," he says. "In no shape or way do I have an advisory relationship with them."

The AAFM members' handbook, available on its website, states that AAFM has a "trademark agreement" with the CFP Board and the CFA Institute in which "AAFM has special rights to the MFP Master Financial Professional trademark and licensing around the world."

In a written statement to the Journal, the CFA Institute's general counsel, Jeannie Anderson, said the institute "has not granted AAFM any special rights to use the MFP designation and has no relationship or affiliation with AAFM."

The CFP Board says the AAFM once helped provide continuing education for CFPs, but hasn't done so since 2006. "He should not have that on his site," says spokesman Dan Drummond.

Mr. Mentz says the CFA Institute and CFP Board signed an agreement stating that "we won't object to their credentials and they won't object to ours."

For some advisers, easily obtained credentials provide an extra edge with clients.

Consider allegations made against Carl Wyllie, CWP, FICF, LUTC. Those stand for certified wealth-transfer practitioner, fraternal insurance counselor fellow and life underwriter training council fellow. In 2002, Mr. Wyllie, who was then based in Omaha, Neb., met with a local couple, Marilyn and Donald Hooper, Mrs. Hooper says.

She says she recalls Mr. Wyllie mentioning his credentials as a sign of his expertise and seeing them "on his wall, on his business card, in his advertisement and his literature." She adds: "Anytime you look at a financial adviser, just like with a doctor, the more accreditations they have, the more you think they're reputable. I think it's as simple as that."

Mr. Wyllie says "I never used my credentials to market myself, not really. I had them on my [business] card, but I didn't really flaunt them."

In 2005, the Hoopers brought a lawsuit in Douglas County district court in Nebraska against the parent company of a brokerage at which Mr. Wyllie had been a salesman. In the suit, the Hoopers alleged that Mr. Wyllie persuaded them to liquidate the $105,000 balance in Mr. Hooper's retirement fund and put the proceeds in an unregistered stock called Capital Equity Fund. Mr. Hooper incurred a surrender charge of more than $10,000 to liquidate an annuity in his retirement fund.

Ruling against the defendants, the court found that Mr. Wyllie had given the couple a brochure that said Capital Equity had "no stock market risk" and was a "great investment vehicle for seniors." The Hoopers lost approximately 55% on Capital Equity Fund in 18 months.

Mr. Wyllie says it was another broker in his office who sold the stock to the Hoopers. "I never read anything like that [brochure]," he says. "They said I was present in the room [at the time of the sale], but I wasn't. I didn't tell them anything, and I didn't sell that product."

In a separate incident, Nebraska insurance regulators in 2006 fined Mr. Wyllie $500 for persuading the Hoopers to sell three annuities from ING and to replace them with similar products from Allianz Life, even though that would trigger more than $6,600 in fees for early redemption.

Mr. Wyllie consented to the regulatory findings, but says switching the policies was the Hoopers' idea. The Hoopers declined to comment on the specifics of the annuity switch.

Other than sporadic efforts by state securities officials, there is little oversight of how credentials are used or potentially misused. Finra has jurisdiction over the use of designations only by financial professionals who are licensed to sell securities, which excludes many financial planners and insurance agents.

In March 2008, the North American Securities Administrators Association, the group of state securities regulators, devised a template for states to follow in regulating professional designations that relate specifically to older investors.

The guidelines prohibit using a designation that comes from a self-conferred body, is primarily used for marketing, lacks continuing-education requirements and lacks disciplinary standards for those who hold it. Twenty-eight states have adopted a version of the guidelines.

Some advisers, however, continue to market their credentials aggressively.

The Arkansas Securities Department, for example, in July 2008 issued a cease-and-desist order against Timothy A. Lilly, an insurance agent in Maumelle, Ark. According to the department, Mr. Lilly said in promotional materials that he was a certified senior adviser, which, according to the order, was "misleading in that it implies that Lilly has a special expertise or more knowledge than most in dealing with the financial affairs of senior citizens and retirees."

The Society of Certified Senior Advisors, which grants the CSA credential, in 2007 began requiring CSAs to disclose to clients that "the CSA designation alone does not imply expertise in financial, health or social matters," among other things. Mr. Lilly failed to make that disclosure to clients, according to the Arkansas Securities Department.

What's more, Mr. Lilly's membership in the SCSA expired on May 15, 2008—but on June 24 of that year, according to the cease-and-desist order, he held a "Free Lunch and Informative Workshop" at a restaurant in Sherwood, Ark., and promoted himself as a CSA on cards.

"It was a big misunderstanding," says Mr. Lilly, who attributes the confusion to a printing error.

According to the cease-and-desist order, Mr. Lilly recommended to one couple who was close to retirement that they liquidate their 401(k) account, individual retirement account and certificates of deposit and buy an equity-indexed annuity, for which Mr. Lilly would have received a commission.

"It was a casual meeting," says Mr. Lilly, so disclosures weren't presented as they would have been in a more formal setting. "We always go over disclosures with clients," he says.

The Society of CSAs began requiring the added disclosures after a wave of complaints about the alleged misuse of the designation by financial advisers. Says Ed Pittock, founder of the society: "We don't want anyone to misrepresent themselves."

**Write to** Jason Zweig at intelligentinvestor@wsj.com and Mary Pilon at mary.pilon@wsj.com