

DECEMBER 13, 2019

ROUNDTABLE FORUM:

# THE FUTURE OF THE FINANCIAL PLANNING PROFESSION

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SUMMARY NOTES



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# PREFACE

In the midst of the COVID-19 pandemic, as we write this preface, it may be challenging to recall that just a few months ago, CFP Board invited leaders across the financial planning and financial advice ecosystem to a special meeting in Chicago to recognize a significant milestone for financial planning.

The financial planning profession marked its 50th anniversary on December 12, 2019, providing a moment for us all to stop, reflect, acknowledge and celebrate the tremendous progress achieved over five short decades.

On the following day, December 13, 2019, CFP Board convened a Roundtable Forum, bringing together nearly a hundred leaders from across the financial advice ecosystem for a facilitated discussion focused on the future of the financial planning profession and the financial advice industry: Where now? What next? Who? And how?

The Roundtable Forum and ensuing conversations not only fostered a greater sense of cohesion across the profession, as we outlined the beginnings of a shared picture of future success. Our collective input identified key factors that must be addressed in order to accelerate the development of a profession that is recognized and sought-after.

CFP Board is committed to fostering a collaborative, profession-wide effort to address those factors. Our next step is to hold a follow-up Roundtable Summit later in 2020, to reconvene with a core group of key leaders across the profession, to re-evaluate our December 2019 conversation in light of recent events, and to move forward on developing a roadmap for the profession.

The following report, prepared by the facilitator of our 2019 Roundtable Forum, Dr. Kathryn Ritchie of The Ignition Institute, documents the outcomes of the conversations and outlines initial steps for continued discussion.

It is important for all of us in the financial advice ecosystem—collectively and individually—to continue our conversation about the future of the financial planning profession and advice industry. CFP Board looks forward to extending invitations to the 2020 Roundtable Summit as details are finalized.

# **EXECUTIVE SUMMARY:**

## **A CALL TO ACTION**

In advance of the December 2019 Roundtable Forum, Dr. Ritchie conducted one-on-one interviews with many of the Forum participants. Common themes from those interviews were shared at the Forum to set the stage for the group's discussion. Forum participants uniformly agreed that several key factors must be addressed to progress and accelerate the profession's development:

- 1** The Financial Planning and Advice Community must be driven in all respects to serve the interests of the consumer at the highest level.
- 2** The Financial Planning and Advice Community needs to put self-interest to one side and truly look at how to accelerate the development of the profession.
- 3** The Financial Planning and Advice Community needs to work cohesively and aligned behind a shared direction with a shared understanding of the current state of the ecosystem inclusive of its strengths and challenges.
- 4** A common definition of Financial Planning is essential to create clarity and trust with consumers, regulators and other key stakeholders including practitioners.
- 5** A shared vision of success for 10 years out and beyond for the Financial Planning Profession would serve as an essential aligning force for all players across the Financial Planning and Advice space.

The participants at the Forum were committed to having the December meeting serve as a catalyst for a deeper conversation, one that would serve to guide a collaborative approach to accelerating the development of the Financial Planning Profession.

### **NEXT STEP**

CFP Board will convene a Roundtable Summit in 2020 with a core group of staff and volunteer leaders from the Financial Planning and Advice organizations to consider the above factors.

# PROPOSED FRAMEWORK FOR THE 2020 ROUNDTABLE SUMMIT

The following proposed framework for the 2020 Roundtable Summit is based on the pre-forum interview feedback and the conversations at the December 2019 forum. Available research to deepen understanding, particularly of the ‘components of the Financial Planning Profession’ and the ‘Current State’ will be drawn upon in advance to inform the conversation.

- 1** Identify the components of the Financial Planning Profession, potentially including:

***Consumer/Public elements of Financial Planning profession***

1. Regulatory recognition
2. Public recognition
3. Consumer awareness/adoption
4. Pro bono obligation
5. Public interest advocacy

***Professional workforce elements of Financial Planning profession***

1. Career path
2. Attractive career choice
3. Network of respected educational institutions
4. Diverse, representative workforce
5. Talent pipeline

***Professional practitioner elements of a Financial Planning profession***

1. Professional community
2. Competency standards
3. Ethical standards
4. Enforcement of ethical standards
5. Body of knowledge

- 2** Based on primary and secondary research, and other inputs, we will identify the “brutal facts” and form an objective assessment for the current state of each component of the Financial Planning profession.

- 3** We will develop a shared Vision and set of Goals, for each component and collectively. We’ll create an aspirational long-term view (our picture of success in 2030) and move back to the nearer-term, identifying the critical milestones and activities that will keep us aligned, accountable and on track. We will define an end-of-2025 picture of success that reflects a shared, focused and cohesive effort to collectively advance the profession’s development and demonstrate that “we,” the collective, have had the courage to address some of the major stumbling blocks and barriers.

- 4** We will discuss the strategy that will move the profession toward the critical milestones and end goals. For each component and collectively, we will make explicit choices on what we will and will not do, and identify one initiative that the collective will focus on to advance the execution of the strategy. We will confirm initial actions and, considering the full ecosystem of organizations and entities within the Financial Planning profession, determine which have responsibility for leading, executing and/or providing resources in support of those actions.

- 5** We will establish a framework for communicating the outcomes of the Roundtable Summit with the broader Financial Planning and Advice ecosystem, and for generating broad engagement. We will agree to responsibilities for the communications and engagement plan, including the creation of a feedback mechanism.

# KEY TAKE-OUTS FROM PRE-FORUM INTERVIEWS

The following themes were called out as the headlines from the pre-forum interviews.

THEMES	OBSERVATIONS
<b>There continues to be substantial confusion with terminology surrounding financial planning and advice and specifically with the definition of Financial Planning</b>	<ul style="list-style-type: none"> <li>This perpetuates confusion amongst consumers</li> <li>A common language will benefit the development of the profession and path and motivation to access Financial Planning</li> <li>Definitional clarity will strengthen the identity of the Profession</li> <li>Without consistency of definition there is no way to have consistency of quality delivery</li> </ul>
<b>Access to financial planning is not what it needs to be</b>	<ul style="list-style-type: none"> <li>Financial Planning is still perceived to be a service for the wealthy</li> <li>Access to the wider community and the underserved is essential</li> <li>The role of Pro Bono service plays a significant role here</li> </ul>
<b>Fractured regulatory environment</b>	<ul style="list-style-type: none"> <li>To make real progress we ALL need to step beyond of our own interests and think from the shoes of the end consumer</li> <li>We want to be regulated as a profession, not by the functions that are performed</li> </ul>
<b>Conflicts of interest continue</b>	<ul style="list-style-type: none"> <li>This persists as a challenge and is amplified by the divides across the industry and profession</li> </ul>
<b>Shift in the role of the Financial Planner</b>	<ul style="list-style-type: none"> <li>Given the advent of technology which allows many functions to be fulfilled online, the Financial Planner has more capacity to spend time on the human interaction and relationship</li> <li>Combining this with the increased complexity of financial planning needs, advisers will need to focus more on behavioral management and shaping of clients to support them to achieve their goals</li> </ul>
<b>Fair and transparent compensation</b>	<ul style="list-style-type: none"> <li>There is a global move towards fee for service away from commissions</li> <li>Transparency is increasing</li> <li>Consumers are more alert to the importance of getting an understanding of the compensation model as a part of their due diligence</li> <li>There is also pressure on asset management fees and this pressure is likely to continue</li> <li>There is a move to recognizing and paying for the value deriving from Financial Planning services vs. simply paying a % based on assets under management</li> </ul>
<b>A divergence of business purpose and models is emerging</b>	<ul style="list-style-type: none"> <li>This is not a bad thing—it is just different</li> <li>Business models that provide quality financial planning and are sustainable are essential for the development of the Financial Planning Profession</li> </ul>

# BRIEF EXTERNAL ENVIRONMENT SCAN

These external factors were called out as the most significant elements to be considered by the collective as each organization in the Financial Planning and Advice Ecosystem considers their respective visions, strategies and participation.

EXTERNAL FACTORS	COMMENTARY	FACTORS TO BE CONSIDERED BY THE ECOSYSTEM AS A RESULT
<b>Consumer confusion is increasing and a lack of trust persists</b>	<ul style="list-style-type: none"><li>• This stems from a number of drivers<ul style="list-style-type: none"><li>- Terminology confusion</li><li>- Titles and credentials confusion</li><li>- Misaligned regulation</li><li>- Varied business and compensation models</li></ul></li><li>• Consumers still do not have a good understanding of what Financial Planning involves</li><li>• This is compounded by Financial Planning not being specifically regulated—banks, advice, insurance are regulated, however, the service of Financial Planning is not and the title can be used by anyone</li><li>• Persisting low financial literacy only exacerbates this problem</li></ul>	<ul style="list-style-type: none"><li>• Need to provide better guidance in terms of roles, titles, credentials, business and compensation models</li><li>• There is a need to create greater certainty for the consumer</li><li>• Financial literacy must be tackled at a systemic level—starting in elementary and continuing in middle school—a cohesive strategy must be developed here including the need to educate teachers</li><li>• The CFP Board's Consumer Awareness Campaign will continue to be an important tool</li><li>• Working in a less divided way across the industry ecosystem is more important than ever</li><li>• There is a need to focus on what we have in common as opposed to where we have differences</li><li>• Business models need to be developed to expand access to financial planning—there needs to be diversity of models—consumers need to understand the relative benefits and implications of the various business models—and fundamentally they need to be financially viable for the practitioner</li><li>• Products and services need to be better designed given the low rates of financial literacy and they need to be cheaper—a disruptive competitor will do this if we don't</li></ul>
<b>Technology is changing the game</b>	<ul style="list-style-type: none"><li>• How does this impact the delivery of Financial Planning? Opportunities?</li><li>• Younger generations are wanting to engage in different ways</li><li>• Provides a means for increasing access to financial planning—a way to reach the mass population</li><li>• Technology change is moving faster than regulatory frameworks can handle</li></ul>	<ul style="list-style-type: none"><li>• The skills needed to operate in an environment with new and emerging technology need to be continually included in the base certification and CE</li><li>• Technology can support firms as they strive to improve access to the mass market and underserved</li><li>• Technology can add to consumer confusion—there is no good Google answer</li><li>• Models will incorporate different levels of technology and human involvement</li></ul>

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EXTERNAL FACTORS	COMMENTARY	FACTORS TO BE CONSIDERED BY THE ECOSYSTEM AS A RESULT
<b>As an industry and profession we need to move faster</b>	<ul style="list-style-type: none"><li>Our ability to respond to new conditions and needs must be faster otherwise we will lose the opportunity—someone will ‘uber’ us</li></ul>	<ul style="list-style-type: none"><li>We need to let go of our differences and find ways to work together so we are more nimble and can better respond to the changing market conditions and consumer needs</li><li>Need to be willing to change as an industry and profession so we can be agile and adopt new and different models</li><li>We need to be the ones who are guiding the conversations regarding the development of Financial Planning and Advice</li></ul>
<b>Regulation and compliance persist as demanding forces</b>	<ul style="list-style-type: none"><li>These forces can prevent us from meeting the client where they are and with what they require</li></ul>	<ul style="list-style-type: none"><li>Communication re business models, credentials needs to be clear to create stability</li></ul>
<b>Technology and the law are changing the role and the game of Financial Planning at a pace</b>	<ul style="list-style-type: none"><li>Privacy laws will become increasingly significant</li><li>Artificial intelligence will change analysis, the use of data and the way solutions are created and proposed</li><li>Technology will enable access and will change the roles of Financial Planners</li></ul>	<ul style="list-style-type: none"><li>There is a need for us all to stay abreast of these developments so we can adjust and continue to be successful</li><li>Being agile and nimble is crucial if we are to remain relevant in the ecosystem</li></ul>
<b>Need to pay attention to changing demographics—access challenges persist</b>	<ul style="list-style-type: none"><li>The need for Financial Planning is growing particularly as the US and other western nations face an under invested aging population</li><li>Are there enough Financial Planners coming through the pipeline to meet demand</li><li>The population is becoming much more diverse and people need to work with planners that they can identify with—more females, more people of color and varied cultural backgrounds</li></ul>	<ul style="list-style-type: none"><li>Skills and technical understanding will evolve</li><li>Developing the path and attractiveness of Financial Planning is essential</li><li>Strategies driven by the profession need to be implemented to improve retention</li><li>Models that make services more affordable are essential</li><li>Financial Literacy education is essential so young people understand the importance of financial wellness</li><li>Awareness of Financial Planning needs to developed from middle school</li><li>Strategies to increase diversity in the Financial Planning profession must persist</li></ul>
<b>Challenges with the economics of business models</b>	<ul style="list-style-type: none"><li>The financials must work for all players</li></ul>	<ul style="list-style-type: none"><li>Work on codifying different, viable business models would be a valuable exercise for the profession</li></ul>

# TAKING STOCK

During the December 2019 Forum discussion, participants recognized the major achievements of the profession during its first 50 years—elements that reflect the profession's strengths and current status. The participants then discussed areas that will require collective efforts to address, to strengthen the profession and ensure its ongoing sustainability.

OUR MAJOR ACHIEVEMENTS	AREAS THAT REQUIRE FURTHER ATTENTION
<ul style="list-style-type: none"><li>• The CFP® mark, the standards and the competency level—there is proof of concept and sound progress here</li><li>• There are 180,000 CFP® professionals around the globe</li><li>• The organizations that have emerged in service of the profession in the USA<ul style="list-style-type: none"><li>- College for Financial Planning</li><li>- CFP Board</li><li>- FPA</li><li>- NAPFA</li><li>- CFA Institute</li></ul></li><li>• There is a global movement—Financial Planning has spread around the world—27 countries have active bodies accrediting CFP® professionals and draw on a set of common standards</li><li>• There are a number of Financial Planning education programs and these are growing</li><li>• There are multiple paths into the profession including college degrees</li><li>• Financial Planning is growing as an academic discipline and is increasingly supported by a valued and evolving 'Body of Knowledge'</li><li>• Pro Bono Foundation in place and active</li><li>• There is a positive movement underway reflecting a shift from product transactions to providing the service of financial planning and advice</li><li>• The service is being approached from a needs and goals basis—this shift in focus has been transformative</li><li>• There is broad adoption of the fiduciary standard among Financial Planners</li><li>• There is a growing recognition of Financial Planning by the consumer</li><li>• Have made inroads in terms of influencing and educating consumers and regulators—and there is much more to go here</li><li>• Strong platforms, an evolution of solutions and specialty area of expertise are evident</li></ul>	<ul style="list-style-type: none"><li>• Public awareness is still a challenge—the public should not need a glossary to understand how they can protect themselves</li><li>• The fiduciary standard is a critical foundation and must serve to protect consumers, investors and practitioners</li><li>• Licensure and title protection will strengthen a sense of identity</li><li>• Alignment of messaging across the industry, the approach to planning, instruments and rewards will require continued focus by all</li><li>• Growing a diverse planner population needs a continued focus</li><li>• Must find ways to appeal to all levels of clients and establish business models that expand access</li><li>• Need to foster the introduction of education programs into elementary and middle schools—education must start early and be fully embedded. This will increase financial literacy and grow awareness of the profession</li><li>• There is a need for relevant, ongoing education for planners and advisers to understand the changing needs and to be equipped to deliver quality services to consumers</li><li>• Continued focus on creating transparency will grow trust—trust is an outcome—we need to look at all strategies to ensure they are supporting trust in the profession</li></ul>

# INITIAL THOUGHTS FOR A 2030 PICTURES OF SUCCESS

The key themes below emerged from the pre-forum interviews and the December 2019 Forum discussion, as participants explored a shared picture of success for the profession in 2030.

KEY THEMES	ELEMENTS THAT MAY CHARACTERIZE SUCCESS IN 2030
<b>Identity, definitions and standards are clearer, used more consistently and recognized by consumers and stakeholders alike</b>	<ul style="list-style-type: none"><li>• All Financial Planners accept and provide a fiduciary standard of care</li><li>• Clear understanding of the role and value of a Financial Planner—recognized universally as a helping profession</li><li>• People recognize and pay for the value delivered</li><li>• All advisors will be required to deliver financial planning—all advisors must be planners otherwise they cannot practice</li><li>• The process of financial planning is more transportable—cross border</li></ul>
<b>Regulation is more directly supporting the necessary standard of care</b>	<ul style="list-style-type: none"><li>• Financial Planning is a recognized profession with licensure and common standards</li><li>• Code of conduct and regulatory standards are based on the CFP Board standards</li><li>• Titles are clear and protected</li><li>• Integrated regulatory structure—state, federal and global</li><li>• Reformed SEC and state inspection processes</li></ul>
<b>Players in the Financial Planning and Advice space are working cohesively and this is reflected by greater and more consistent public awareness</b>	<ul style="list-style-type: none"><li>• Respected collaborative boards in the profession with expanded reach and impact</li><li>• Advocacy for the profession feels cohesive</li><li>• Trust in Financial Planning is evident and measurable</li></ul>
<b>Technology is changing the role of the Financial Planner to increase benefits to consumers</b>	<ul style="list-style-type: none"><li>• Automation is used so the Financial Planner can focus on the relationships and the broadening of their client base</li><li>• Planners will be carrying out a more substantial role on the behavioral side of planning to support beneficial behavior change in clients so they are more equipped to achieve their goals</li></ul>
<b>More comprehensive education is available for all Financial Planners</b>	<ul style="list-style-type: none"><li>• Strengthened education paths for Financial Planners supported by a growing and substantial body of knowledge</li><li>• Education programs for Financial Planners better reflect the changing needs of the environment</li></ul>
<b>Impact metrics are in use to demonstrate value of Financial Planning</b>	<ul style="list-style-type: none"><li>• Can demonstrate the value of Financial Planning for the individual and economy</li></ul>

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KEY THEMES	ELEMENTS THAT MAY CHARACTERIZE SUCCESS IN 2030
<b>Access strategy has been agreed with a clear role for pro-bono services</b>	<ul style="list-style-type: none"><li>Penetration of Financial Planning has grown—perhaps a Financial Planning ‘Season’—October to tax day</li><li>There is an effective access program in place e.g. services may be delivered for free for those with limited resources—tied to tax returns and benefits—likely to be online</li><li>At least 25% of consumers hire Financial Planners</li><li>100% of Financial Planners provide a common minimum level of pro-bono services</li><li>There is double the number of CFP® professionals</li></ul>
<b>Financial Planning is an increasingly popular career</b>	<ul style="list-style-type: none"><li>Diversity targets have been achieved</li><li>Financial Planning is a mainstream profession—it has achieved academic credibility, e.g., like law, medicine, theology</li><li>There are degrees in Financial Planning—5-10% of grads have a degree in Financial Planning</li><li>There are separate colleges of Financial Planning within universities</li><li>Supported by a comprehensive and common body of knowledge with clear specializations</li><li>Apprenticeship models are the norm</li><li>There are national brands for Financial Planning like accounting, consulting and legal firms</li><li>The method of payment for Financial Planning has been normalized—like a CPA</li></ul>
<b>Financial literacy is being positively addressed</b>	<ul style="list-style-type: none"><li>‘Cradle to grave’ education programs consistently in use to grow financial literacy</li><li>When you are young you get financial education, when you are an adult you get financial planning</li><li>100% awareness among high school students of Financial Planning as a profession</li></ul>
<b>Business models are sustainable and have evolved to meet the needs of consumers</b>	<ul style="list-style-type: none"><li>Clear, transparent and aligned compensation models in use across the board</li><li>There are multiple models in place to support delivery of financial planning so the different needs and preferences of clients are met</li></ul>