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ONE YEAR LATER, WHAT'S CHANGED SINCE THE REGULATOR LAUNCHED A 'TOP-TO-BOTTOM' REVIEW OF ITS OPERATIONS

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OPINION

THE EMPEROR OF FINANCIAL PLANNING HAS NO CLOTHES

Financial planning is rapidly becoming a universally recognized profession. Over the past 20 years, the CFP certification has become widely acknowledged and respected among the general public and the financial community. The CFP Board, while far from perfect or flawless, has done a pretty credible job overall of stewarding the progress of financial planning as a profession and the CFP mark as its gold standard.

Sadly, it does appear that they have not mustered the courage to address the one big hole remaining: a blanket, no-exceptions fiduciary standard for all CFP licensees.

The Financial Planning Association was formed in 2000 by the merger of the IAFP, a financial trade organization, and ICFP, a professional organization. I was a member of both the IAFP and ICFP, and I am currently serving as the president of the South Florida chapter of the FPA.

Back then, more often than not, "financial planning" was a throw-in or cheap add-on to another financial product or service transaction. That's no longer the norm. The merger that created the FPA was done with great intentions, and there were many good reasons to proceed at that time. It no longer works.

'BIG TENT'

The FPA, long ago, lost its way. At the same time, it tries to be both a trade organization (the "big tent") and a professional organization for CFP licensees — too many things to too many people, with too many competing interests. It can't be both.

MICHAEL ROSS

I can think of no other profession where the licensees don't have a dedicated professional membership organization. Can any of you imagine the American Medical Association granting membership to pharmaceutical reps? Only 25% of the CFP licensees are FPA members. That means there is a tremendous deficiency in CFP licensees' perception of the value proposition of FPA membership. Most CFP licensees have voted with their wallets.

Now more than ever, with the rapid expansion of the CFP community and the growth and evolution of financial planning, we need an effective and relevant professional organization. Failing to have this means having no voice in the growth and development of this new and exciting profession.

The FPA is a top-down organization. The lion's share of the dues, revenue, planning and decision-making power goes to Denver, the site of FPA headquarters, which seems to have a consultant for everything. Yet, typical members get most of their benefit and contact at the local chapter level. Most members' contact with Denver is primarily through their mail carrier, who brings them the FPA magazine every month.

I need only contrast this with the Estate Planning Council, to which I also belong, which is a bottom-up organization. The resources stay with the local chapters, and only a small portion goes to a loose federation governing body. They can do things locally that my FPA chapter can only dream of.

DRINKING THE KOOL-AID

The FPA is governed by an unelected board. The board members appoint their replacements upon the expiration of their terms. This means they are self-perpetuating and self-replicating. It creates an eternity of more people who drink the same Kool-Aid.

Yes, the board members are volunteers with good intentions, and I'm sure they put in many thankless hours. So let me sincerely thank them here. However, we need to change the bylaws so that all members of the FPA board are democratically elected by the membership of the organization. Democracy is the only mechanism that will bring about any real reform. The dictatorship must end.

Michael Ross is president of the South Florida chapter of the Financial Planning Association and president of Boca Raton-based Financial Connection Inc.