Choosing a Financial Professional

Plan Well, Retire Well: Your How-To Guide
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A guide to financial credentials

There are scores of credentials for financial professionals. Some are very good indicators of the person's training and skill, while others indicate knowledge of a more limited scope. Still, credentials can serve as one indicator of a financial adviser's qualifications.

This fact sheet lists widely recognized credentials that relate to financial planning and investment advice. Use this information to evaluate the financial professional you are considering. Find out what credentials they have. If the person is a broker or investment adviser, verify that they have the required license or registration. Do they hold at least one of the major designations that are meaningful for the type of services you need? If you need a financial plan, for example, CFP® or PFS are strong credentials. Both require extensive training and continuing education in financial planning. But if you need help with debt problems and managing your spending, the AFC is much more relevant.

Licenses and registrations

Licensing or registration is legally required for brokers, investment advisers and insurance salespeople.

Brokers, legally known as **registered representatives**, must be licensed to sell financial securities. Different licenses allow them to sell different types of investments. The most basic license is a **Series 6**, which allows the person to sell only mutual funds, variable annuities, and variable life insurance products. **Series 7** licenses the individual to deal in all securities products, including stocks and bonds. **Series 63** covers state-specific securities laws.

Brokers with only a Series 6 are limited in what they can sell. They may be focusing on the sale of commission life insurance and annuity products.

Investment advisers: Most investment firms and individual investment advisers must register with either the US Securities and Exchange Commission (SEC) or state securities regulators. These firms and advisers are known as **RIA**s—**registered investment advisers**. Advisers covered by a firm's RIA rather than registering individually are known as **investment adviser representatives** or **IAR**s. States may require that IARs pass the **Series 65** exam.

Advisers register with the SEC by filing **Form ADV**, which includes disclosures about compensation, qualifications, and potential conflicts of interest. The adviser must also provide this information to potential and continuing clients

State securities regulatory requirements may be similar to the SEC. For example, most require advisers to file form ADV with the state.

Some firms or persons are not required to register as investment advisers. Some professionals (i.e., attorneys, journalists, or teachers) are not considered to be investment advisers if their advice is solely incidental to their main profession. Others are investment advisers but are exempted from registration due to their limited number of clients, or the limited nature of their investment advice.

Investment advisers are fiduciaries—they are required to put the client's interests first by recommending the investments that are *best* for the client. Brokers are not subject to those requirements, even if they provide investment advice. Read *Who is a Fiduciary?*—part of the *Choosing a Financial Professional* series—to learn more about fiduciaries.

There is no regulation of the terms *financial planner* or *financial adviser*. There is no required licensing or registration, unless they are acting as a broker or an investment adviser. Therefore, you will need to do a careful assessment of the person's qualifications. Understanding the credentials described in this fact sheet can help.

Insurance salespersons must hold licenses for each category of insurance they sell, in each state where they sell insurance.

Designations

"Alphabet soup" is one way to describe the myriad acronyms that financial professionals list after their names. Many designations represent substantial education, training, and/or experience. Most, but not all, require continuing education to retain the designation. Understanding the meaning of these designations (the area of study; whether continuing education is required and if so, how much; the amount of relevant experience required to obtain the designation, and whether the designation can be revoked for unprofessional conduct) can help you evaluate and compare the qualifications of different financial professionals.

The following chart lists selected credentials commonly held by various types of financial advisers. This list focuses on licenses or registrations that are required by law for certain practitioners or that are widely recognized by other financial professionals and associations.

There are many other credentials that are not included here, and new ones are being created all the time. The CFP website describes many of them at http://www.cfp.net/learn/ under "Financial Professionals" and "Terminology and Credentials." The Financial Industry Regulatory Authority (FINRA, formed in 2007 by combining the National Association of Securities Dealers with the certain functions of the New York Stock Exchange) provides an extensive list of credentials with links to the issuing organizations at http://apps.finra.org/DataDirectory/1/prodesignations.aspx.

When choosing a financial professional, don't be too impressed by titles or large displays of framed certificates until you've determined the value of the credentials they represent. Some credentials may even be misleading.

In a December, 2005 news release from the North American Securities Administrators Association, NASAA President and Wisconsin Securities Administrator Patricia D. Struck said, "Individuals may call themselves 'senior specialists' to create a false level of comfort among seniors by implying a certain level of training on issues important to the elderly. But the training they receive is often nothing more than marketing and selling techniques targeting the elderly."

According to the news release, 26 cases against "senior specialists" were opened in 2005 by securities regulators in several states. These "specialists" often promoted equity indexed annuities to senior citizens. Struck advised, "Before doing business with any investment professional, all investors, especially senior investors, should check with their state securities regulator to determine whether the individual is properly licensed and if there have been any complaints or disciplinary problems involving the individual or his or her firm."

Use the following chart to learn about some of the credentials you may encounter as you choose a financial professional.

Financial Credentials

Acronym	Title	Issuing or Registering Agency	Area of emphasis	Requirement to obtain	Requirements to maintain	Can be revoked?	Verify credential or file a complaint
--	Attorney	Highest court in the juris-diction. In Illinois, the Supreme Court.	Estate and tax planning	• 4-year college degree, 3 years of law school (*Juris Doctor* or J.D.) and passing a written bar examination; however, some requirements may vary by state. • Illinois requires certification of "character and fitness"	A continuing education requirement was instituted in Illinois in 2005: 20 hours in the first two-year reporting period (ending 2008 or 2009), 24 hours in the second two-year reporting period, and 30 hours of for all subsequent two-year reporting periods. Most states have continuing education requirements that attorneys must fulfill every one, two, or three years. The typical requirement is 12 to 15 hours per year.	Yes	In Illinois: Illinois Attorney Registration and Disciplinary Commission, www.iardc.org. • Chicago and Northern IL: 800/826-8625. • Central And Southern Illinois: 800/252-8048. Find registration and disciplinary agencies for other states at: http://www.abanet.org/cpr/regulation/scpd/disciplinary.html.
AFC	Accredited Financial Counselor	Association for Financial Counseling and Planning Education	Debt and money manage-ment	• 2 courses with exams • 2 years counseling experience • Subscribe to code of ethics	30 hours every two years	Yes	Contact AFCPE Executive Director at 614-485-9650 or sburns@afcpe.org.
CDFA	Certified Divorce Financial Analyst	Institute for Divorce Financial Analysts	Financial issues of divorce	• 4 modules with exams • 2 years experience • Adhere to code of ethics and professional responsibility	20 hours every 2 years	Yes, but disciplinary actions are confidential.	Locate a CDFA using "Find a Certified Divorce Financial Analyst" tool at https://www.institutedfa.com/ or call (800-875-1760). Complaints: Contact the Institute (800-875-1760).

CFP®	Certified Financial Planner™	Certified Financial Planner Board of Standards	Financial planning	• 15 semester hours[1] in six areas of financial planning • Examination: 10 hours • 3 years fulltime experience (with a bachelor's degree) or 5 years (without a degree), in planning or teaching • Agree to adhere to code of ethics.	30 continuing education units, including 2 in ethics every 2 years	Yes	Verify on web or by calling 888-CFP-MARK(237-6275). Access grievance form and procedures at www.cfp.net.
ChFC	Chartered Financial Consultant	The American College	Financial planning	• 8 college courses, included 6 that make up the College's CFP education program, and 2 additional courses [2] • 3 years fulltime experience • Subscribe to Code of ethics[3]	30 continuing education units[4] every 2 years	No	The "Find an Adviser" tool at http://www.theamericancollege.edu/ is an indirect way of verifying the credential. Complaint process: None
CLU	Chartered Life Under-writer	The American College	Life insurance	• 8 college courses, with focus on insurance [2] • 3 years fulltime experience • Subscribe to code of ethics[3]	30 continuing education units[4] every 2 years	No	The "Find an Adviser" tool at http://www.theamericancollege.edu/ is an indirect way of verifying the credential. Complaint process: None
CPA	Certified Public Accountant	US States and jurisdictions (Northern Mariana Islands, Puerto Rico, District of Columbia, Guam)	Income and estate tax planning and prepa-ration	• Examination • Generally, a bachelor's degree in accounting is required • Most states, including Illinois, require new candidates to pass an exam on rules of professional conduct.	In Illinois, CPAs must complete 120 hours of continuing education every three years, including 4 hours in ethics.	Yes, by state	In Illinois, verify credential or file a complaint at http://www.idfpr.com/dpr/ or 312/814-6910. Locate your state board of accountancy at NASBA.org and click on State Board Listing.

[1] Must be completed at a CFP-Board Certified education program. Alternatively, certain professionals (i.e., CPAs, attorneys, and those with CFA or CLU designations) may "challenge" and test without taking additional courses. As of 2007, new certificants were required to have a bachelor's degree.

[2] Partial credit may be given for those holding other credentials: 6 for CFPs, 1 for other credentials (CPA, CFA)

[3] From the American College website: "you must demonstrate completion of experience and ethics requirements." "To underscore the importance of ethics standards for Huebner School designations, the Board of Trustees adopted a Code of ethics in 1984. Embodied in the Code are the Professional Pledge and eight Canons."

[4] Those who matriculated prior to July 1, 1989 or those with Emeritus status (over age 60) are exempt from continuing education and certification requirements.

CFA®	Chartered Financial Analyst®	CFA Institute	Investments (portfolio manage-ment & in-vestment analysis)	• Undergraduate degree and 3 yrs experience, or 4 yrs experience • 3 classes, self-study, and exams for each • Subscribe to code of ethics	None	Yes	Verification not available. Submit complaints or get instructions at http://www.cfainstitute.org/aboutus/conduct/complaint/ Or mail to CFA Institute, Professional Conduct Program, P.O. Box 3668, Charlottesville, VA 22903
CTFA	Certified Trust and Financial Advisor	Institute of Certified Bankers, a subsidiary of American Bankers As-sociation	Services related to individual trusts, estates, guardianships and indi-vidual asset manage-ment accounts	• Exam • Combination of education and experience, or 10 years of experience • Agree to code of ethics statement	45 hours every 3 years; min. 6 hrs. in each of 4 areas: Fiduciary and Trust Activities, Personal Financial Planning, Tax Law, and Investments Management; additional 3 hrs in ethics	No	Not available
EA	Enrolled Agent	US Depart-ment of Treasury	Taxes	• Exam or experience with IRS • Background check	72 CPE credit hours every 3 years, with a minimum of 16 CPE per year. Two CPE credit hours per year must be in Ethics.	Yes	To verify EA status, or to file a complaint, contact Internal Revenue Service, Office of Professional Responsibility, Attention SE:OPR, Room 7238/IR, 1111 Constitution Avenue, NW, Washington, DC 20224 or send email to OPR@irs.gov. For additional information, http://www.irs.gov/taxpros/agents/article/0,,id=123392,00.html

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--	NAPFA-Registered Adviser	National Association of Personal Financial Advisers	Comprehensive, fee-only financial planning	• Meet NAPFA definition of Fee-Only: does not earn any transaction-based compensation from financial planning related activities. • 15 credit hours in financial planning. • 3 years comprehensive planning experience. • Offer comprehensive planning services. • Peer review of a sample comprehensive financial plan. • Take Fiduciary Oath.	60 hours of continuing education every 2 years	Membership renewal may be refused based on review of the adviser's ADV, where any disciplinary actions must be disclosed.	The Find a Planner tool at http://www.napfa.org/consumer is an indirect way of verifying the credential. Consumer complaints will be referred to the appropriate regulatory or credentialing body, i.e., SEC or state securities regulators, CFP Board of Standards, or AICPA.
PFS	Personal Financial Specialist	The American Institute of Certified Public Accountants (AICPA)	Personal financial planning	• Member of AICPA • Unrevoked CPA license • Combined experience, education, and exam requirement	Ongoing practice in the area of personal financial planning and continuing education, every three years	If CPA designation is revoked, PFS is also lost.	Verify or locate at http://pfp.aicpa.org/. No separate complaint process; use the CPA complaint process.

RIA/IAR	Registered Investment Adviser (firm or individual) or Invest-ment Advi-sor Repre-sentative (individual covered by the firm's RIA)	If the assets under man-agement (AUM) are over $25 million, they register with the SEC. If AUM is $25 million or less, they register with state securi-ties regula-tors.	Investment advice	Complete form ADV with SEC, or complete similar registration with state securities regulators. Some states may require IARs to pass the NASAA Series 65 exam.	Apparently, no. However, those who hold designations such as CFP, PFS, etc., will have continuing education requirements to maintain those credentials.	Yes.	To file a complaint in Illinois, Secretary of State Illinois Securities Department, Consumer Complaint Form at https://www.cyberdriveillinois.com/ContactFormsWeb/secdeptcomplaintform.html or call 800-628-7937. To verify an SEC-registered firms' registration status and view their ADV form on-line, http://www.adviserinfo.sec.gov/. Information on IARs working in those firms will be available in the future.
	Registered Represen-tative (broker or broker-dealer)	Financial Industry Regulatory Authority (FINRA, formerly NASD),	Sales of investments	• Registration with FINRA. • Series 6 or Series 7 license	Yes. At the end of the broker's 2nd year, and every 3rd year thereafter. Brokers complete the Regulatory Component of their continuing education via computer through selected course providers. Their firms are responsible for providing continuing educa-tion on additional topics identified by FINRA.	Yes	Complaints: Click on "Investor Complaint Center" at http://www.finra.org/. To verify license and check background, click on "FINRA Broker Check" at http://www.finra.org/.

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