

# **Building a Wealth Management Practice: Measuring CFP® Professionals' Contribution**

FEBRUARY 2016

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## EXECUTIVE SUMMARY

*Building a Wealth Management Practice: Measuring CFP® Professionals' Contribution*, commissioned by Certified Financial Planner Board of Standards, Inc. (CFP Board) and produced by Aite Group, identifies and quantifies differences between registered representatives and investment advisor representatives (collectively referred to as “financial advisors”) who hold a CFP® certification and financial advisors who are not CFP® professionals. Furthermore, the study compares practices with CFP® professionals (CFP® professional practices) to those without CFP® professionals across multiple metrics, such as revenue, adoption of fee-based investment management and planning, and share of clients who are high-net-worth (HNW) and ultra-high-net-worth (UHNW). Key takeaways from the study include the following:

- CFP® professional practices are more productive than other practices: Both solo and team CFP® professional practices generate at least 40% more in revenue compared to other solo and team practices.
- CFP® professional practices are more successful at attracting UHNW clients: The share of HNW and UHNW clients at CFP® professional practices is 53% higher than at other practices (41% versus 27% of clients).
- CFP® professional practices have more diversified revenue models and rely less on investment products to sustain their business relative to other practices:
  - CFP® professional practices derive more than half of revenue from non-investment-product business compared to one-third for other practices.
- CFP® professional practices manage 40% more of their clients' investment assets on a fee basis compared to other practices (45% of investment assets versus 32%).
- Financial planning is more important than investment management for advisors in CFP® professional practices than it is for advisors in other practices; 41% of advisors who are members of CFP® professional practices state that financial planning is more important, while only 23% of other advisors say the same.
- This orientation toward financial planning translates into more frequent financial plan updates for clients, more financial plans delivered under a fiduciary standard of care, and a stronger adoption of fee-based financial planning; 80% of CFP® professionals charge for financial planning while 41% of other practices charge.
- On average, CFP® professionals earn 26% more in compensation than non-CFP® professionals, adjusted for advisor years of experience. Late-career CFP® professionals earn 33% more compared to other late-career advisors, indicating that CFP® professionals continue to grow their compensation throughout their careers.
- A majority of advisors believe CFP® certification has had a significant or considerable impact on their success and on client satisfaction; almost 70% of CFP® professionals surveyed believe that obtaining CFP® certification has had a significant or considerable impact on client trust, their confidence with clients, and their technical expertise.

## INTRODUCTION

Most wealth management firms want to be recognized for their ability to address clients' complete wealth management needs. Financial advisory practices should not only be able to give advice on investments but also help families manage their risks (e.g., through insurance advice and solutions), cash flow, and asset transfer needs (through trusts and estate planning). To execute on this wealth management strategy, firms need to grow advisors' expertise in areas of wealth management outside investments. CFP® certification was designed to provide advisors with this holistic education.

CFP® certification is a financial planning designation granted by Certified Financial Planner Board of Standards Inc. that helps financial advisors provide clients with ongoing, valuable advice across the many facets of their financial lives through a financial planning framework. Obtaining CFP® certification requires financial advisors to pass an education curriculum lasting nine to 18 months and culminating in a six-hour exam. The coursework includes completion of a financial plan development (capstone) course registered with CFP® Board. In addition, financial advisors have to pass fitness standards and experience requirements.

The objective of this paper is to identify CFP® certification's impact on advisors, firms, and clients. The paper accomplishes this by comparing CFP® professionals and practices to financial advisors who do not have CFP® certification and practices without CFP® professionals across multiple firm, practice, and advisor performance metrics. This study is an update to a similar analysis completed by Aite Group in July 2012 titled *Adding Expertise to a Financial Advisor's Practice: Measuring the Contributions of CFP® Professionals*.

## METHODOLOGY

In October 2015, Aite Group conducted an online survey of 403 U.S. financial advisors that includes 146 CFP® professionals. In addition to CFP® professionals, the sample includes 306 advisors representing practices that have at least one CFP® professional (CFP® professional practices). Almost all CFP® professional practices are led by at least one CFP® professional.

The sample over represents CFP® professionals for the purpose of identifying statistically significant differences between CFP® professionals and other advisors. Furthermore, the sample over represents large firm advisors and underrepresents small to mid-size broker-dealer advisors. The focus of this study is to provide a comparative analysis and not to estimate actual population statistics.

This study references four different segments of advisor clients based on investable assets:

- Mass-market clients have less than US\$100,000 in investable assets.
- Mass-affluent clients have between US\$100,000 and US\$999,000.
- HNW clients have between US\$1 million and US\$9.9 million.
- UHNW clients have US\$10 million or more.

Given the number of advisors participating in this research, the data discussed in this report about CFP® professionals has an 8-point margin of error at the 95% confidence level. Tests of significance were conducted at the 95% confidence level except where noted.

## THE PREVALENCE OF CFP® PROFESSIONALS

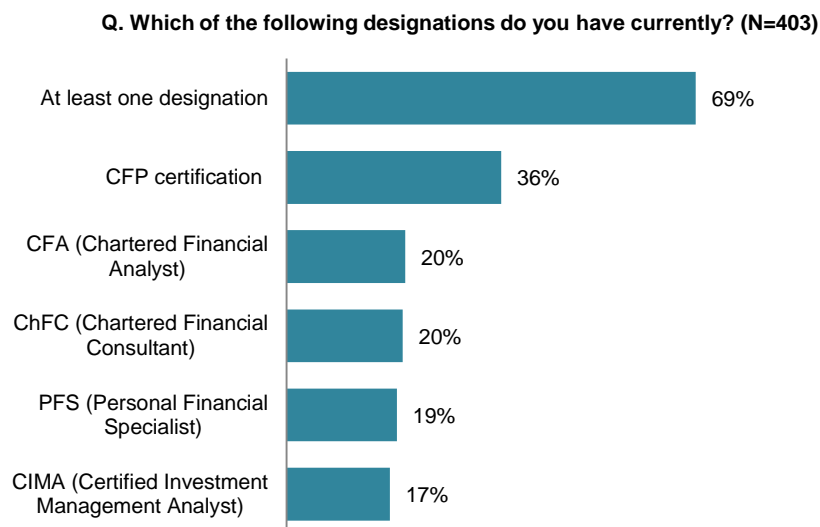
CFP® certification programs should be a high priority for any firm that intends to differentiate its offer by providing holistic financial advice, whether in person or over the phone and to mass-market, HNW, or UHNW clients. CFP® certification is particularly important for firms that seek to attract wealthy investors, who often require access to expertise across multiple wealth management areas.

The findings in this section discuss differences in adoption of CFP® certification across the industry by firm and practice type. CFP® professionals continue to represent a minority of financial advisors, but they are highly present across team practices, many of which cater to HNW and UHNW investors.

### ACROSS ADVISORS

Designations overall are well-represented within Aite Group's 2015 sample of U.S. financial advisors. Almost 70% of advisors surveyed have at least one designation. Figure 1 shows the top five designations held by advisors surveyed. Though CFP® certification is the most widely held designation among advisors surveyed, the percentage of advisors with CFP® certification is still low when considering that the curriculum for this designation is so well-aligned to the personal financial services that financial advisors provide. Many wealth management firms today are in the midst of changing their value proposition from one centered on delivering products and investment performance to one focused on achieving client goals and providing comprehensive wealth management services. The CFP® certification curriculum and values align well to this culture of client-centricity and to a value proposition focused on delivering goals-based wealth management.

**Figure 1: Representation of Designations within Aite Group Sample**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

## CFP® PROFESSIONALS AND PRACTICES BY FIRM TYPE

The sample includes advisors from six types of firms as described in Table A. Advisors from large firms (wirehouses and other self-clearing firms) represent 40% of the sample. Advisors from midsize and small traditional broker-dealers represent 29% of the sample. Investment advisor representatives from independent registered investment advisors (RIAs) and advisors with online brokerage firms represent 15% and 14% of the sample, respectively.

**Table A: Firm Types Represented in the Sample**

Type	Definition	Percentage of sample (N=403)
<b>Wirehouse</b>	Merrill Lynch, UBS, Wells Fargo Advisors, Morgan Stanley (more than 10,000 advisors)	19%
<b>Financial advisor with other self-clearing firm</b>	Large/regional players: Ameriprise, Edward Jones, Raymond James, LPL, J.P. Morgan, RBC WM (between 5,000 and 15,000)	21%
<b>Independent RIA</b>	Mostly small firms but also includes RIA groups working within larger broker-dealer firms	15%
<b>Financial advisor with online broker</b>	Schwab, Fidelity, TD Ameritrade on the retail side (fewer than 2,000 advisors)	14%
<b>Financial advisor with fully disclosed broker-dealer</b>	Advisors with firms that clear through a third party (e.g., National Financial, Pershing) and that are affiliated with an insurance company, bank, or independent broker-dealer (fewer than 10,000 advisors)	29%
<b>Other advisors</b>	Primarily advisors with private banking divisions	2%

Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

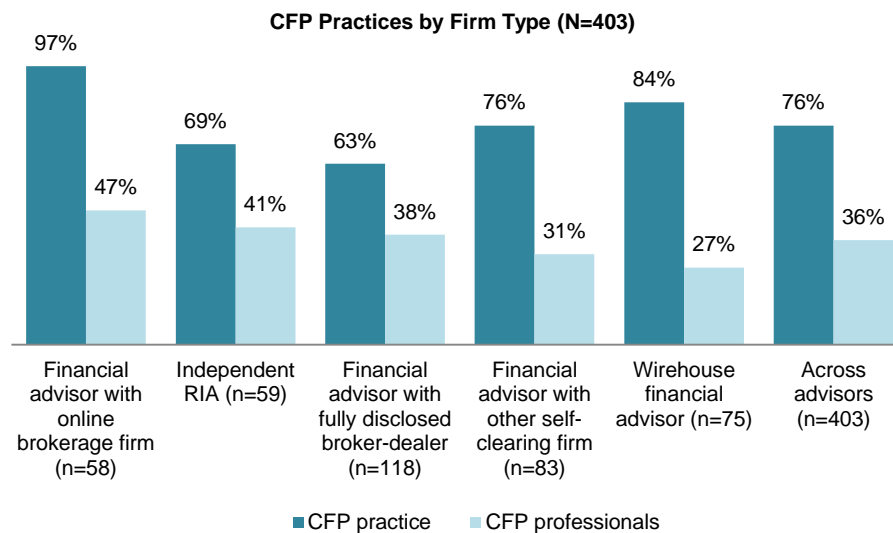
Aite Group's financial advisor survey compares the adoption of CFP® certification by different types of wealth management firms (Figure 2). Online and discount brokers, such as Fidelity and Schwab, have the largest share of CFP® professionals in the sample, followed by RIAs. When taking a practice view rather than a solo advisor view, online brokerage firms and wirehouses have the largest representation of CFP® professional practices. CFP® professional practices could be solo advisor practices or team practices.

Online brokerage firms have been successful with hiring and training advisors to address their growing population of HNW clients. For example, Schwab and Fidelity have over 1,000 financial advisors who are dedicated to addressing the complete wealth management needs of clients with a minimum of US\$500,000 or US\$1 million, respectively. Several wirehouses have spent the last five years encouraging advisors to form teams of experts that would include at least one financial planner who should obtain CFP® certification. The data in this study indicates that wirehouses are successfully rounding out team practices with a financial planning expert who



has CFP® certification. From a practice perspective, fully disclosed broker-dealers have the most work to do to increase the number of CFP® professional practices.

**Figure 2: CFP® Professionals and Practices by Type of Firm within Aite Group Sample**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

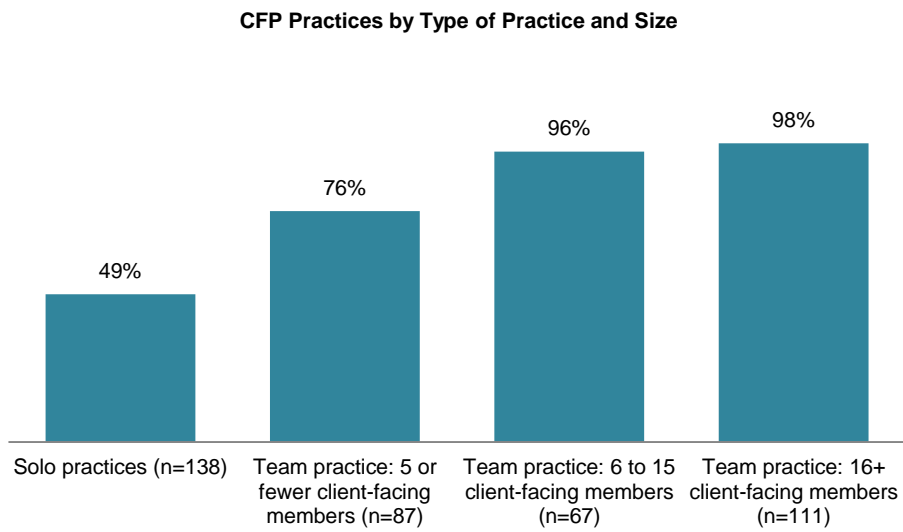
## CFP® PROFESSIONAL PRACTICES BY TYPE OF PRACTICE

In this report, we discuss two types of practice:

- **Team-based practices:** Practices with more than one client-facing advisor
- **Solo practices:** Practices with one lead client-facing advisor (may also have junior advisors)

Advisors were asked to indicate how many CFP® professionals are part of their practice. As discussed in the methodology section, three-quarters of advisors state that there is at least one CFP® professional in their practice. A breakout of practices by type and size shows that nearly all team practices with more than five client-facing professionals are CFP® professional practices and three-quarters of team practices with five or fewer client-facing advisors are CFP® practices. By comparison, half of solo practices are CFP® professional practices (Figure 3). CFP® professionals are critical members of wealth management teams that have typically formed to provide a range of expertise to clients with complex wealth management needs.

**Figure 3: CFP® Certification Penetration by Type and Size of Practice**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

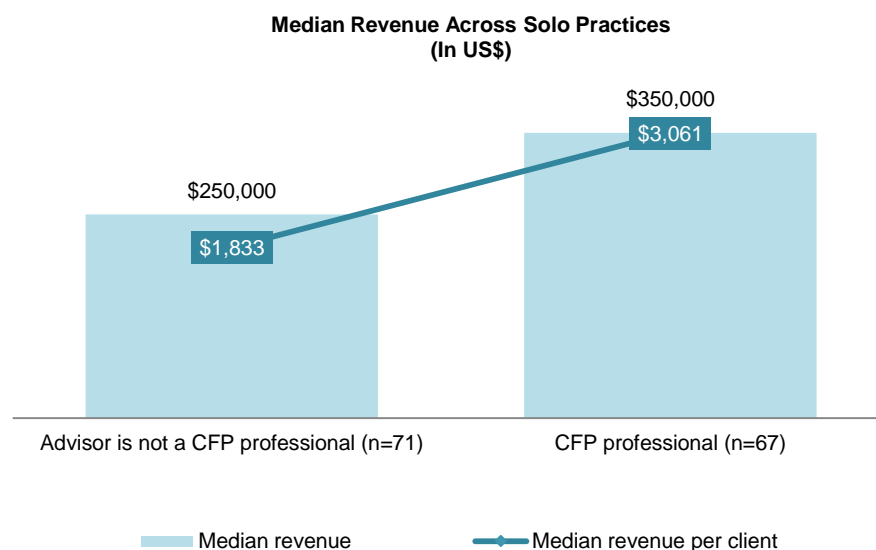
## CONTRIBUTION TO PRACTICE REVENUE

Aite Group's study estimates CFP® professionals' impact on practice revenue adjusted for practice type and advisors' years of experience. Team practices generate more revenue than do solo practices, and more experienced advisors are typically more successful than advisors who are newer to the profession. By removing these variables that are known to impact practice revenue, the study attempts to identify the contribution of CFP® professionals on practice success.

### SOLO PRACTICE COMPARISON

Across solo practices, CFP® professional practices generate 40% more revenue based on average practice revenue and almost 70% more revenue per client. The median revenue of a solo practice led by an advisor who is not a CFP® professional is US\$250,000, while the median revenue of solo CFP® professional practices is US\$350,000 (Figure 4). As will be discussed later in the report, CFP® professionals are more likely to work with HNW families than are other financial advisors. HNW clients contribute more revenue to the practice due to their larger balances and their need for multiple wealth management services, including fee-based financial or wealth planning.

**Figure 4: Solo Practice Revenue and Revenue per Client**

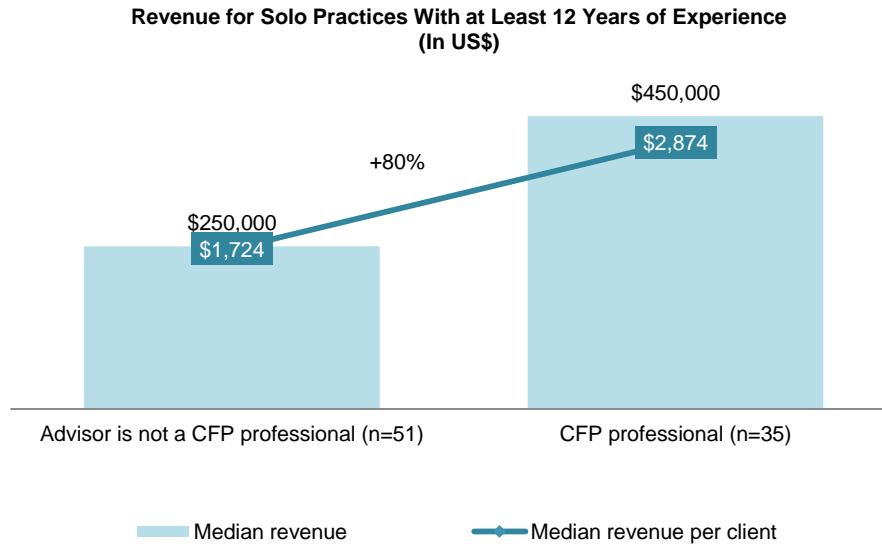


Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

When isolating solo practices led by advisors with at least 12 years of industry experience, the median revenue of CFP® professional practices is 80% higher than that of other practices. The median revenue of solo practices without CFP® professionals does not change among advisors with at least 12 years of industry experience, while median revenue jumps to US\$450,000 for CFP® professional practices with similarly experienced advisors (Figure 5). This large difference

among experienced advisors indicates that CFP® professionals are able to grow revenue at a faster pace than other advisors throughout their careers.

**Figure 5: Solo Practice Revenue and Revenue per Client—Experienced Advisors**

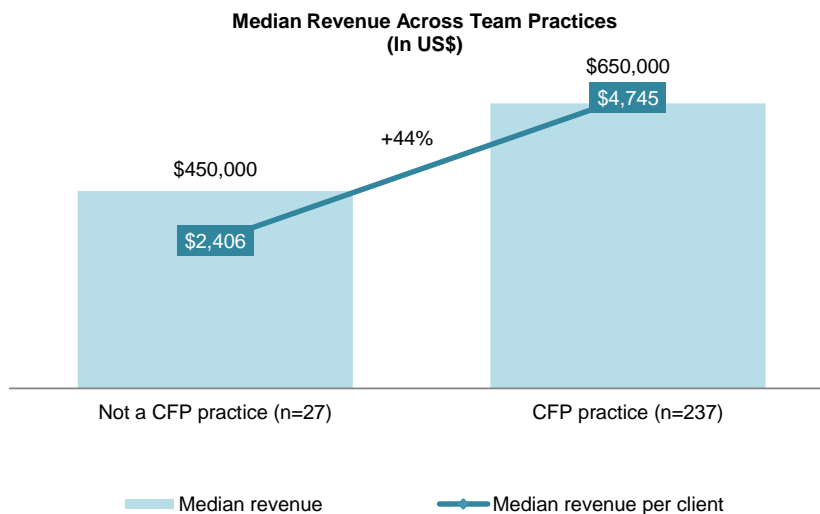


Source: Aite Group’s survey of 403 U.S. financial advisors, October 2015

## TEAM PRACTICE COMPARISON

Results are similar across team practices. CFP® professional team practices are 44% more productive, and revenue per client at CFP® professional practices is almost double that of non-CPF® professional practices (US\$2,406 versus US\$4,745; Figure 6).

**Figure 6: Team Practice Revenue and Revenue per Client**



Source: Aite Group’s survey of 403 U.S. financial advisors, October 2015

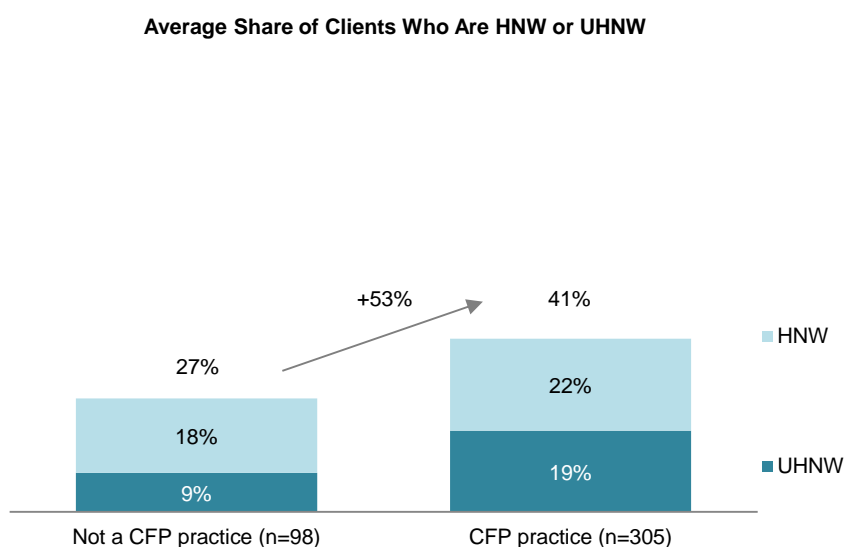
## CLIENT AND REVENUE COMPOSITION

CFP® professionals and other advisors typically work with mass-affluent clients. Clients on the ends of the wealth spectrum, the HNW and UHNW, and the mass-market, have represented a smaller share of the average financial advisor's client base. This makeup is changing with respect to HNW clients in particular as firms are encouraging advisors to focus on attracting the wealthiest to improve firm profitability. Given this focus, we are interested in comparing CFP® professionals' ability to attract investors with at least US\$1 million to that of other advisors. We also discuss how different types of practices work with mass-market clients who, traditionally, have been more challenging to service cost-effectively under a full-service wealth management model.

### CLIENT COMPOSITION—HNW AND MASS-MARKET CLIENTS

CFP® professional practices have been more successful with attracting UHNW clients in particular. Forty-one percent of clients at the average CFP® professional practice surveyed are evenly split across HNW and UHNW segments. By contrast, less than one-third of clients among practices without a CFP® professional are considered HNW or UHNW, and the UHNW share is less than 10% (Figure 7).

**Figure 7: Share of HNW and UHNW Clients at CFP® Professional Practices**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

UHNW investors have more complex financial lives and should naturally seek a team with expertise across a wide range of financial services topics. In addition, since investors have become more sensitive to the motivations of advisors following recent events, many today are looking for an advisor who they can trust to act in their best interests. CFP® professionals follow rules of conduct that require them to place the interests of clients ahead of their own. They abide by a fiduciary standard of care when delivering financial planning services. Aite Group

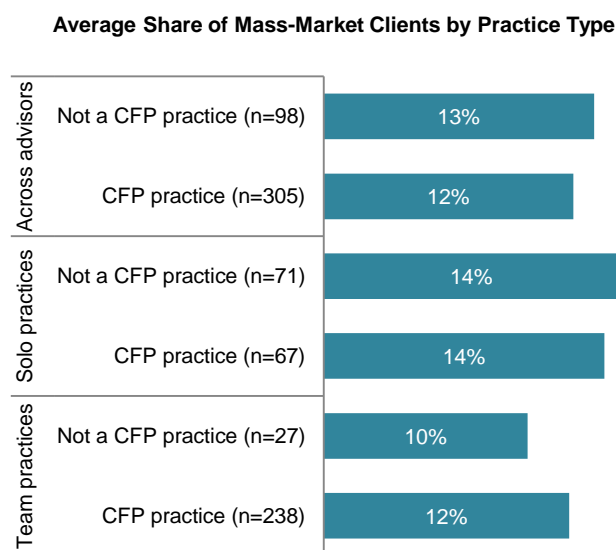
believes the percentage of investors seeking to work with advisors who follow this duty of care will grow over the coming decades as past Aite Group studies have shown that younger investors are more motivated to find advisors who are legally required to act in clients' best interests compared to older investors.

### PRACTICES THAT WORK WITH THE MASS-MARKET SEGMENT

Cost-effectively addressing the needs of the mass-market segment is a challenge for full-service advisors. A common perception is that mass-retail clients are unable to afford a CFP® professional's services, which implies that CFP® professionals work with a smaller percentage of mass-retail clients. Our study refutes this point.

CFP® practices, whether solo or team-based, have an equal share of mass-market clients to that of other practices, at just over 10% of clients (Figure 8).

**Figure 8: Share of Mass-Market Clients at CFP® Professional and Other Practices**



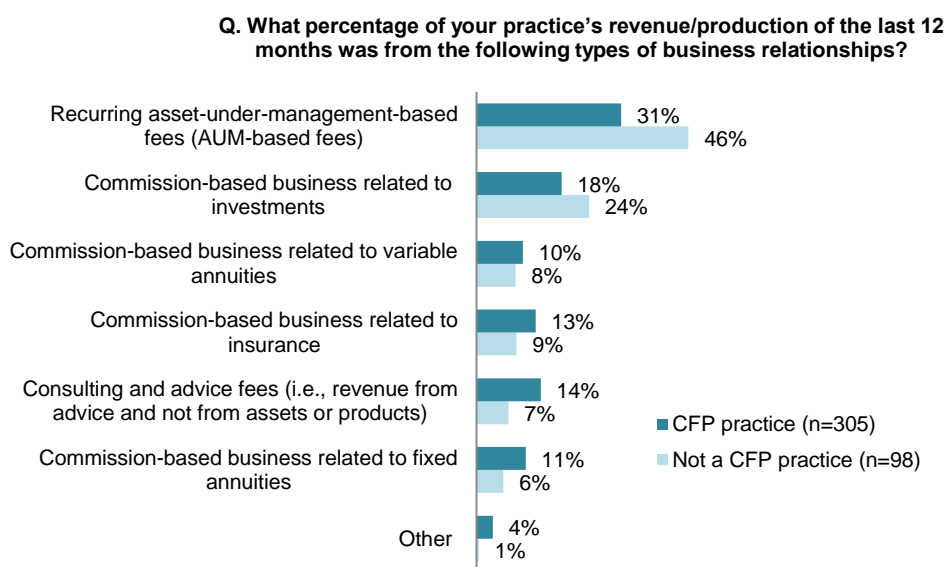
Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

### REVENUE COMPOSITION—CHARACTERISTICS OF CFP® PROFESSIONAL PRACTICES

CFP® professional practices have more diversified revenue models and rely less on investment products to sustain their business compared to other practices. CFP® professional practices derive more than half of their revenue from non-investment-product business compared to one-third for other practices (Figure 9). This diversification should allow CFP® professional practices to better endure market downturns compared to practices relying primarily on investments to generate revenue. Furthermore, as baby boomers retire, services offered by CFP® professionals, such as comprehensive planning and advice on insurance and annuity products, should be in strong demand.

CFP® professional practices have the expertise to deliver financial planning services that clients are willing to pay for. In fact, many CFP® professional practices do charge for financial planning, and they generate twice the revenue from consulting and advice fees compared to other practices (14% versus 7%, on average). As wealth management firms look to differentiate their services from those of digital advisors that focus primarily on investment management, financial planning will become a more important source of differentiation for firms. Many firms that did not charge for planning services are likely to start, or they will attribute a portion of the investment management fee to the advice or planning services advisors provide. Under this likely scenario, CFP® professionals will be far better prepared to maintain and grow revenue compared to other advisors.

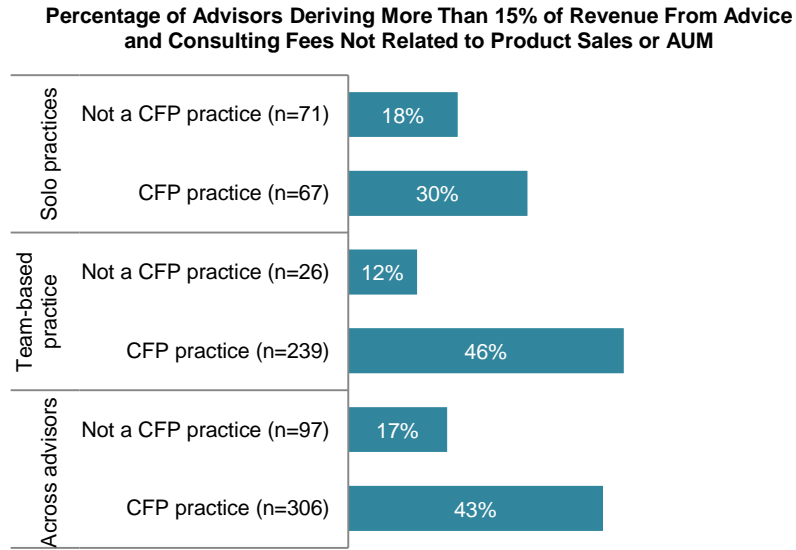
**Figure 9: Practice Revenue by Type of Business**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

Many CFP® professional practices generate more than 15% of revenue from advice and consulting fees, particularly among team-based practices. Nearly half of team-based CFP® professional practices generate such an amount (Figure 10).

**Figure 10: Practices With a Meaningful Share of Revenue From Advice Fees**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015



## INVESTMENT APPROACH AND FINANCIAL PLANNING ADOPTION

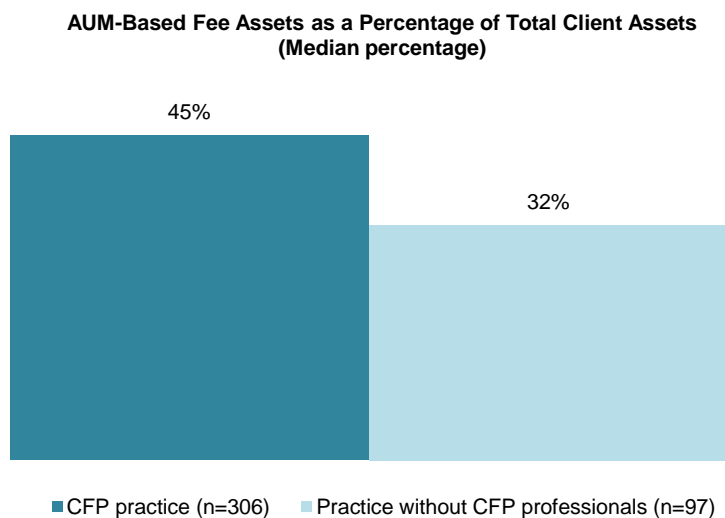
This section evaluates the investment and client management approaches followed by CFP® professionals and practices. Specifically, the study looks at whether CFP® professional practices manage more of their clients' investment assets on fee-based platforms, under a fiduciary standard of care. In addition, the analysis compares how CFP® professional practices differ in their financial planning adoption and discusses the benefits of leading with financial planning.

### FEE-BASED INVESTMENT MANAGEMENT

CFP® professionals' financial planning approach leads organically to an ongoing investment management relationship that is typically offered to clients in exchange for an AUM-based fee. This pricing model should be a natural choice for CFP® professionals, who are required to place their clients' interests ahead of their own when providing financial planning services. The AUM-based pricing relationship aligns client and advisor interests to grow client assets.

Based on the recent annual results of the largest wealth management firms, most firms manage between 30% and 40% of their clients' assets for a recurring AUM-based fee. Aite Group's advisor survey indicates that practices without a CFP® professional manage 32% of their clients' assets in this way, while practices that have CFP® professionals manage 45% of client investment assets on fee-based platforms, a 40% difference (Figure 11).

**Figure 11: Fee-Based Investment Assets**

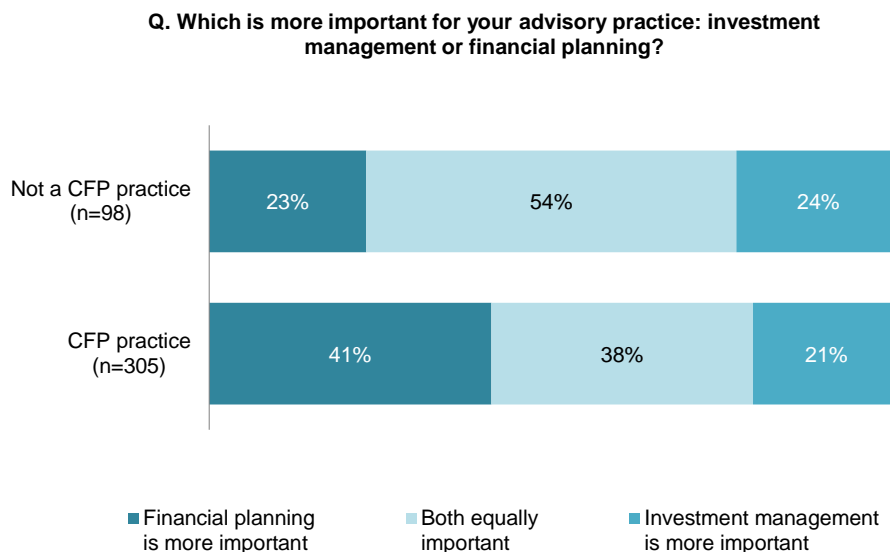


Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

## LEADING WITH FINANCIAL PLANNING

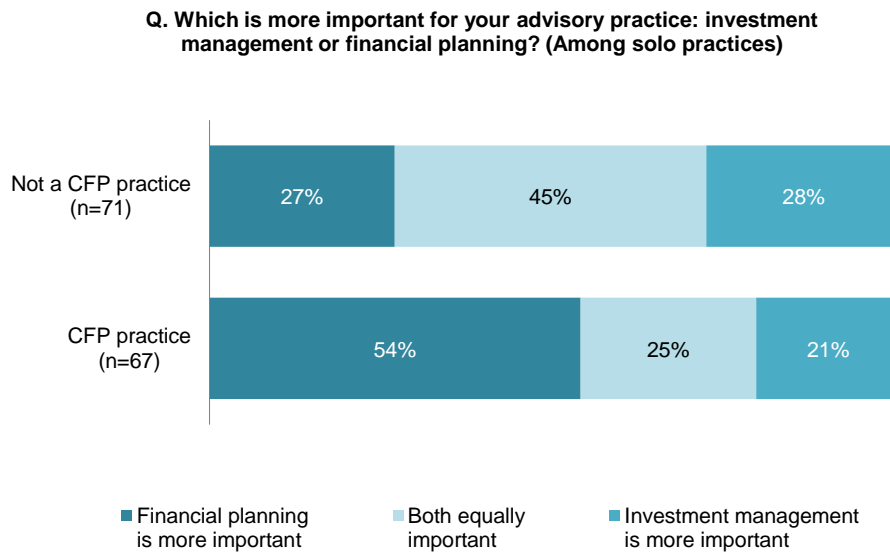
Financial planning is more important for advisors in CFP® professional practices than it is for advisors in other practices; 41% of advisors in CFP® professional practices state that financial planning is more important than investment management, while only 23% of other advisors say the same (Figure 12). An analysis of this question with a focus on advisors without CFP® certification shows similar results for both CFP® professional and other practices; advisors without CFP® certification who work in a CFP® professional practice are more likely to view financial planning as more important compared to advisors in other practices. These results show that CFP® professionals can change the culture of an advisory practice from one that has traditionally been investment-centric to one that is financial-planning-oriented and client-goals-centric.

**Figure 12: Importance of Financial Planning Relative to Investment Management**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

CFP® professionals in solo practices were the group most likely to rate financial planning as more important than investment management compared to other financial advisors running solo practices (54% versus 27%; Figure 13).

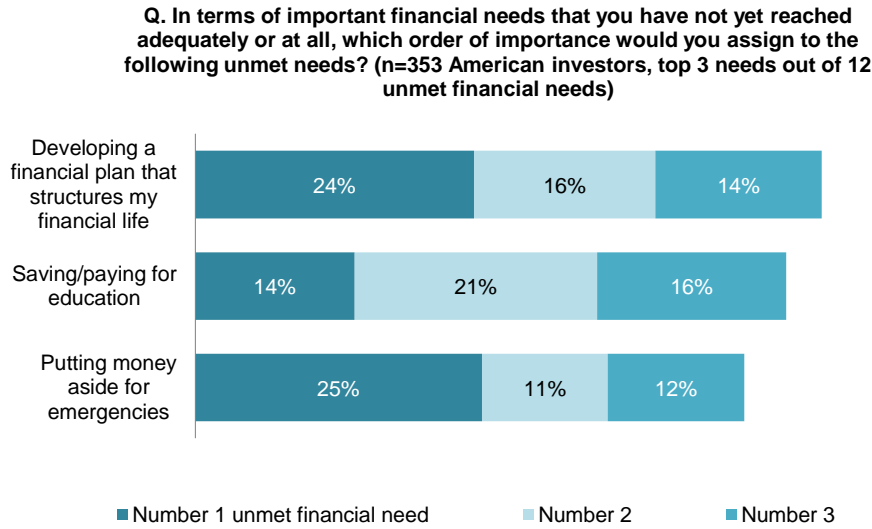
**Figure 13: Importance of Financial Planning—Solo Practices**

Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

Advisory practices should be leading with financial planning to better meet the financial needs of their clients, many of whom express a desire for more structure over their financial lives. An Aite Group consumer survey from Q4 2013 reveals that the number one unmet financial need among American consumers who hold at least some of their assets in investment products is developing a financial plan that structures their financial lives (Figure 14).<sup>1</sup> These results are the same among investors who work with a financial advisor.

1. See Aite Group's report *Investing Preferences and Financial Priorities in North America and Japan: A Generation Gap*, July 2014.

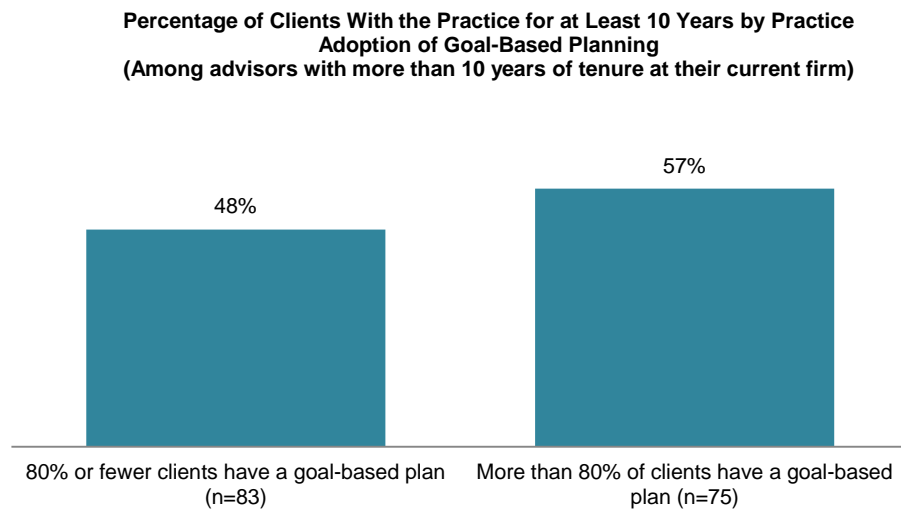
**Figure 14: Importance of Financial Planning to American Investors**



Source: Aite Group survey of 2,781 individuals across six countries, including 688 U.S. individuals and 438 Canadians, Q4 2013

Further, many wealth management firm executives have found that financial advisor clients who receive financial planning services are more satisfied with their advisor and firm. Aite Group’s advisor survey confirms the positive correlation between goal-based planning and client loyalty. Practices that deliver some type of goal-based plan to more than 80% of their clients have a larger share of clients with the practice for 10 or more years compared to practices that deliver goal-based planning services to less than 80% of clients (57% versus 48%; Figure 15).

**Figure 15: Goal-Based Planning and Client Loyalty**



Source: Aite Group survey of 2,781 individuals across six countries, including 688 U.S. individuals and 438 Canadians, Q4 2013

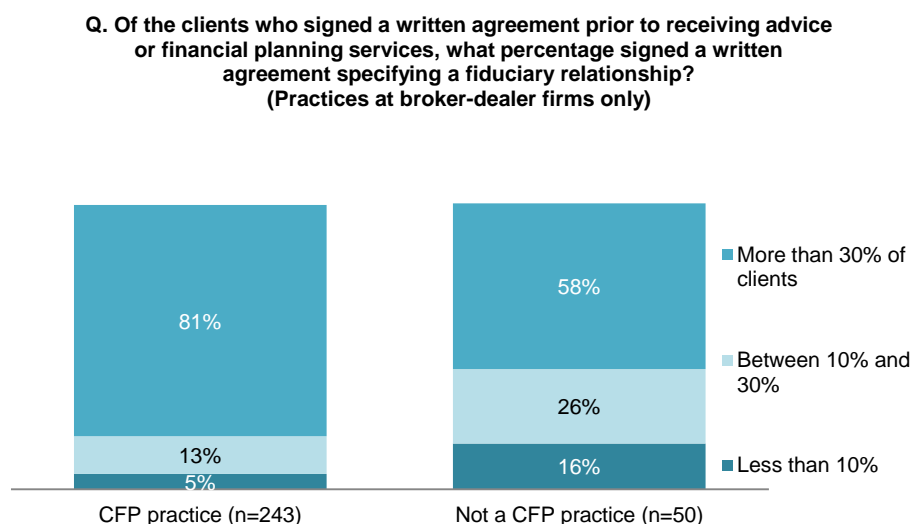
## FINANCIAL PLANNING CHARACTERISTICS

CFP® professional practices are more focused on financial planning. How does this orientation impact financial planning services? This section looks at practice ability to deliver financial planning under a fiduciary standard of care, ability to charge for financial planning, and the frequency of planning updates.

### FIDUCIARY PLANNING

CFP® professional practices are more likely to deliver financial planning services under a fiduciary agreement specifying that advisors are preparing a financial plan that aligns with their clients' best interests. This analysis focused only on advisors at brokerage firms and did not include advisors with RIAs, who are legally required to follow a fiduciary standard of care at all times. Eighty-one percent of CFP® professional practices at broker-dealers deliver financial planning services under a written fiduciary agreement to more than one-third of clients in 2014. By comparison, less than 60% of practices at broker-dealers delivered fiduciary financial planning to as large a share of clients in 2014 (Figure 16).

**Figure 16: Plans Delivered Under a Fiduciary Relationship**

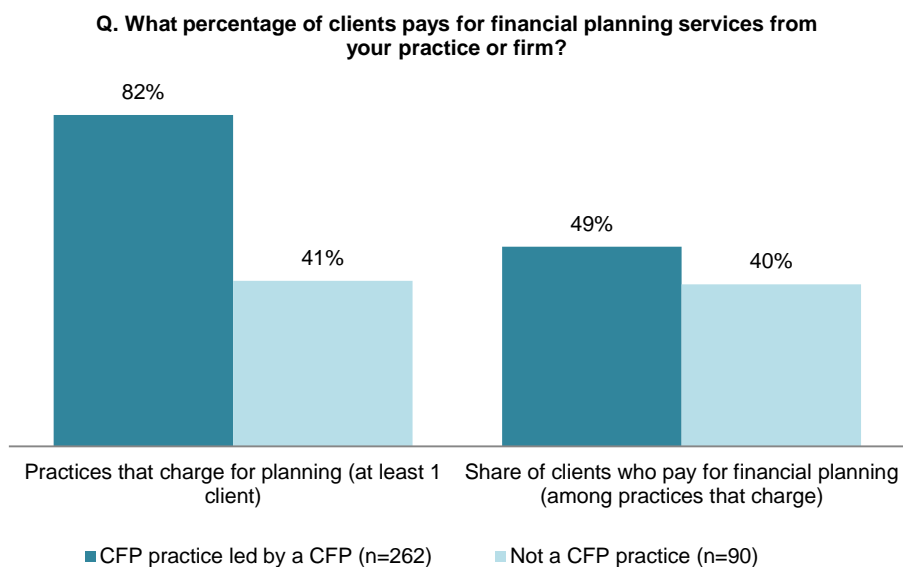


Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

### FINANCIAL PLANNING CHARGING PRACTICES

In addition to delivering more financial planning services that meet a high standard of care, CFP® professional practices are more likely than other practices to provide a planning service that clients agree to pay for. These characteristics of CFP® professional practices indicate that advice and planning services delivered by CFP® professional practices are likely to be rigorously performed and valuable to clients. More than 80% of CFP® practices charge at least some clients for financial planning services, while only 41% of other practices charge. Among practices that charge, CFP® professional practices indicate that half of their clients pay for financial planning services, while 40% of clients of non-CFP® professional practices pay for planning (Figure 17).

**Figure 17: Practices the Charge for Planning and Share of Clients Who Pay**



Source: Aite Group’s survey of 403 U.S. financial advisors, October 2015

Regardless of CFP® professional status, practices adopt similar charging methods, but CFP® professional practices are able to charge more. A comparison of fees charged per plan shows that 45% of CFP® practices charge more than US\$2,000 per plan, while only 23% of other practices charge as much per plan (Table B). Statistical testing could not confirm differences in pricing based on annual fees or hourly rates due to the small sample of practices without CFP® professionals.

**Table B: Financial Planning Charging Methods and Costs**

Charging methods	CFP® professional practices led by CFP® professionals (n=262)	Not a CFP® professional practice (n=90)
<b>Fixed fee per plan*</b>	34% of practices	35% of practices
	US\$1,000 or less: 35%	US\$1,000 or less: 46%
	US\$1,001 to US\$2,000: 20%	US\$1,001 to US\$2,000: 31%
	More than US\$2,000: 45%	More than US\$2,000: 23%
<b>Annual fee**</b>	35%	32%
<b>Hourly rate**</b>	27%	27%

Source: Aite Group’s survey of 403 U.S. financial advisors, October 2015

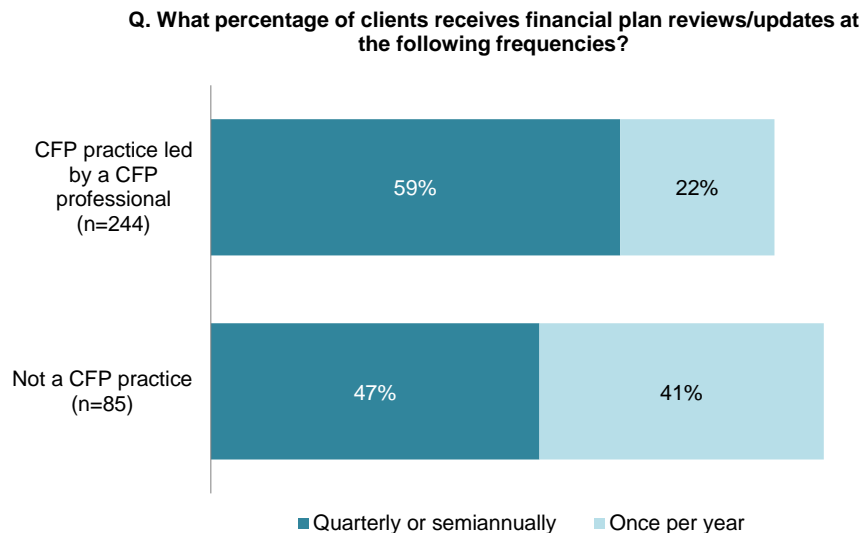
\*Differences in fees statistically significant at the 85% confidence level.

\*\*Differences in pricing not statistically significant due to small sample size of practices without CFP® professionals.

## FINANCIAL PLANNING FREQUENCY

CFP® professional practices deliver more frequent plan reviews compared to other practices. Almost 60% of CFP® professional practices led by CFP® professionals deliver plan updates quarterly or semiannually, while less than half of other practices deliver plan updates as frequently (Figure 18, significant at the 90% confidence level).

**Figure 18: Frequency of Financial Plan Updates**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

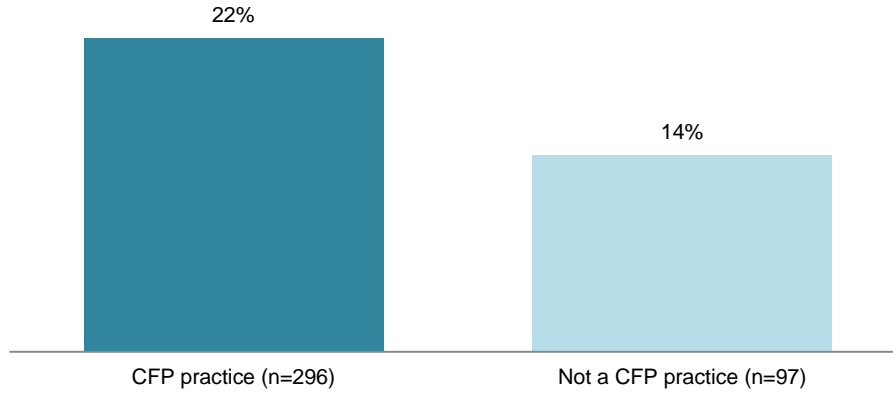
## CLIENT REFERRALS FROM CENTERS OF INFLUENCE

CFP® professional practices often work with outside experts, such as accountants, estate planners, or lawyers, particularly when providing estate planning and tax advice. As these practices build relationships with complementary experts to better serve clients, they also become reliable sources of personal finance expertise for these external partners' clients. As a result of partner relationships, CFP® professional practices source more new clients from centers of influence compared to other practices; 22% of new clients come from centers of influence, while other practices indicate that 14% of new clients come from these partners (Figure 19).

**Figure 19: New Clients From Centers of Influence**

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**Share of New Clients Coming From Internal and External Partner Referrals  
(E.g., certified public accountants, lawyers)**



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Source: Aite Group's survey of 403 U.S. financial advisors, October 2015



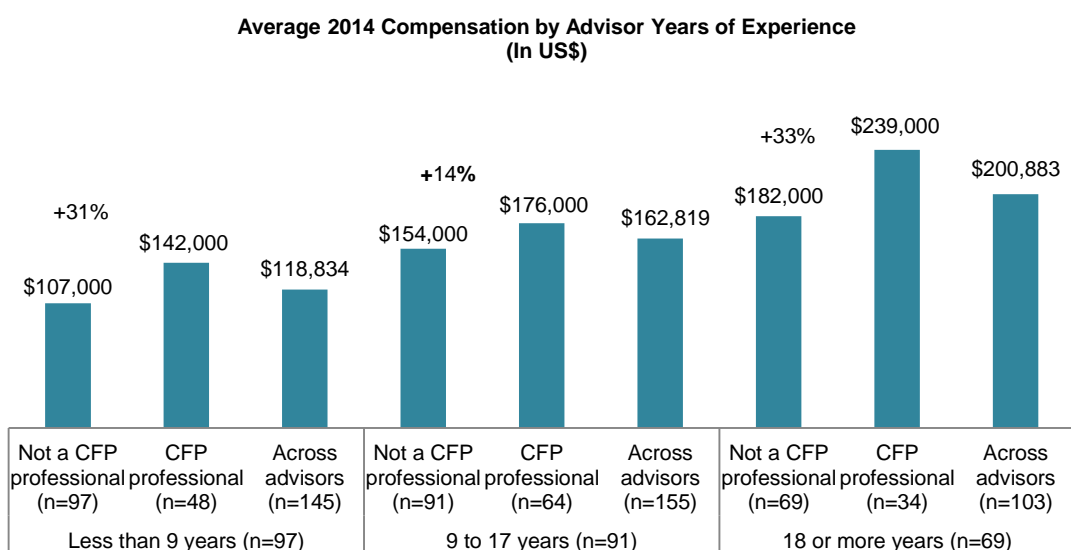
## BENEFITS OF CFP® CERTIFICATION TO ADVISORS

After a review of CFP® professionals' contribution to their practices and clients, this section evaluates the impact of CFP® certification on advisors themselves. This section looks at advisor income as well as career and firm satisfaction. Advisors were also asked about their perception of the impact CFP® certification has had on their practice, income, and clients.

### INCOME DIFFERENCE BETWEEN CFP® PROFESSIONALS AND OTHER ADVISORS

On average, CFP® professionals earn 26% more in compensation, adjusted for advisor years of experience. Among advisors with less than nine years of experience, CFP® professionals earn 31% more, or US\$35,000, based on compensation information provided by advisors surveyed (Figure 20). This compensation lift falls to 14% for midcareer advisors but reaches 33% among late-career advisors.

**Figure 20: 2014 Compensation Adjusted for Advisor Years of Experience**



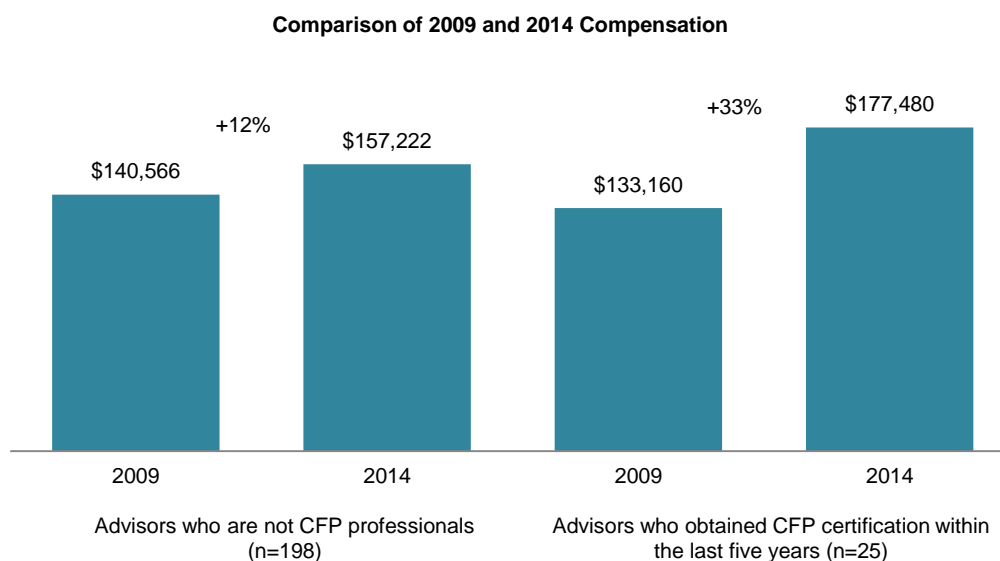
Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

These results show that CFP® professionals are well-positioned for financial success throughout their careers. Compensation grows double digits throughout their careers, and growth does not slow among late-career CFP® professionals.

Many industry participants have asked themselves what causes CFP® professionals' success and whether the process of becoming a CFP® professional can explain at least part of their strong performance. CFP® professionals are motivated and competent, as evidenced by their ability to go through months of coursework and take a rigorous exam. Isolating the specific contribution of CFP® certification to the success of financial advisors among the many personal, practice, and firm characteristics that can impact an advisor's success is challenging.

To more carefully evaluate the impact of CFP® certification, Aite Group analyzed the compensation of advisors who had recently obtained CFP® certification (within the last five years) and compared the compensation these advisors received in 2014 to the amount earned in 2009. Twenty-five financial advisors in the survey qualified for this analysis. These individuals had been financial advisors for six years or more and had recently passed CFP® certification (an average of three years before the time of the survey). Nearly all of the financial advisors report an increase in compensation (20 out of 25 advisors), with only one reporting a decrease in compensation. The average increase across the sample amounts to 33%. By comparison, advisors without CFP® certification grew compensation by an average of 12% (Figure 21). This analysis seems to indicate that earning CFP® certification positively contributes to advisors' success.

**Figure 21: Five-Year Compensation Comparison**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

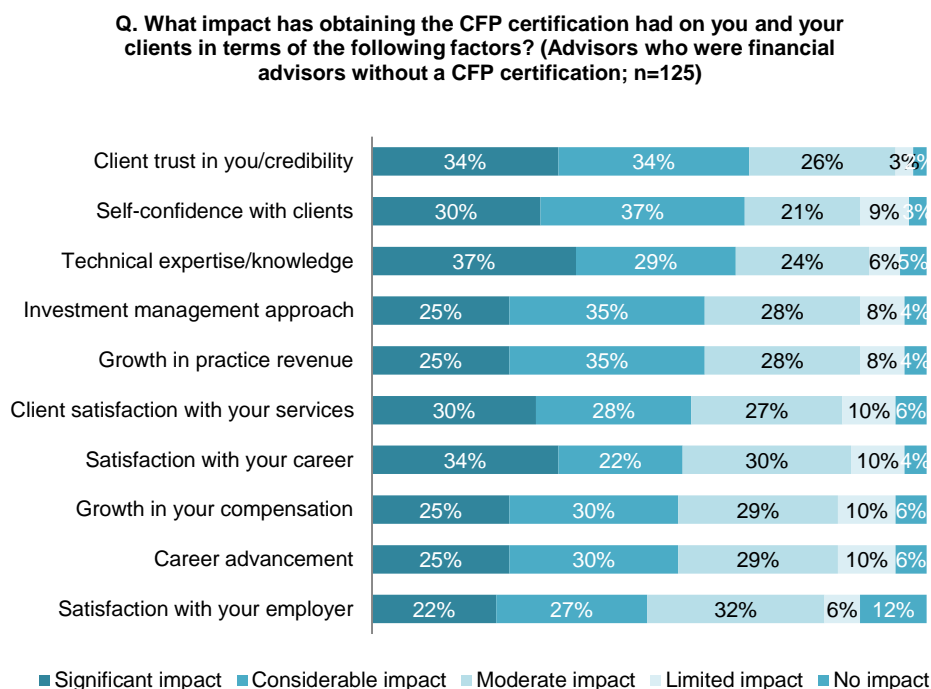
## THE IMPACT OF CFP® CERTIFICATION: ADVISOR VIEW

Qualitative feedback on the impact of CFP® certification from surveyed financial advisors shows that a majority of advisors believe CFP® certification has had a significant or considerable impact on their success as well as on their clients' satisfaction with their services.

Almost 70% of CFP® professionals surveyed believe that obtaining CFP® certification positively impacts their clients' trust in them and their confidence with clients (Figure 22). Having CFP® certification demonstrates to clients that advisors possess the knowledge required to meet their financial needs, the career dedication to service them for many years, and the obligation to place clients' interests ahead of their own. Building technical expertise and knowledge was also cited by 70% of clients as a key area of CFP® certification's impact. Both clients and advisors believe CFP® certification materially improves financial advisors' technical expertise.

These results show that CFP® certification leads to a real increase in advisor knowledge. In addition, it is important to recognize the psychological impact of CFP® certification on clients and advisors. Clients want to work with advisors who are competent and confident. For advisors, the self-confidence boost that comes from passing a difficult exam and carrying the CFP® mark can lead to a real increase in business down the road.

**Figure 22: Impact of CFP® Certification—Advisor Perspectives**

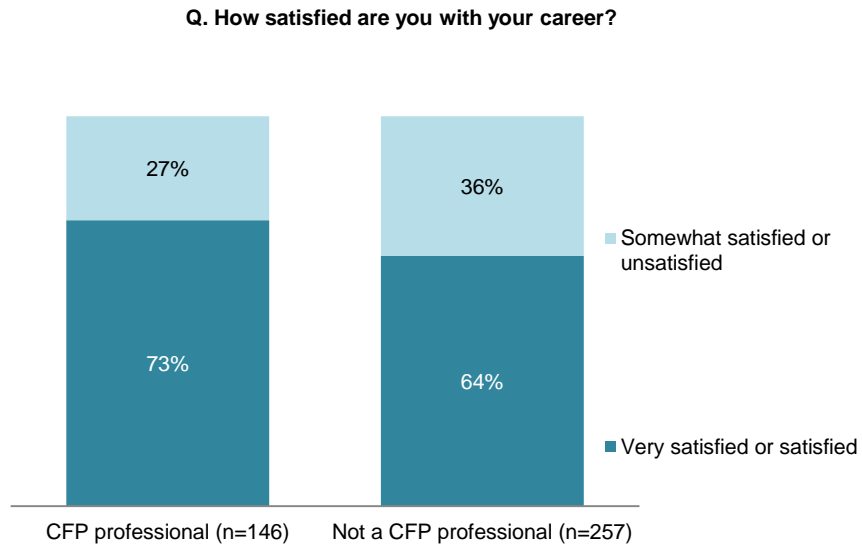


Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

CFP® certification has also had a significant or considerable impact on practice revenue, advisor compensation, and career satisfaction for more than half of advisors surveyed. Approximately half of advisors also report a significant or considerable impact on firm/employer satisfaction; most firms provide financial support and coaching throughout the CFP® certification process.

A comparison of career and firm satisfaction between CFP® professionals and other financial advisors demonstrates that CFP® professionals are in fact more satisfied with their careers and their firms than are other financial advisors. Nearly three-quarters of CFP® professionals are very satisfied or satisfied with their careers and firms, while 64% of advisors without CFP® certification are as satisfied with their careers and 65% with their firms (Figure 23; Figure 24).

**Figure 23: Advisor Satisfaction with Career**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

**Figure 24: Advisor Satisfaction With Firm**



Source: Aite Group's survey of 403 U.S. financial advisors, October 2015

## THE LEGAL IMPACT OF CFP® CERTIFICATION

CFP® professionals are held to a fiduciary standard of care when providing financial planning. CFP® professionals at brokerage firms without the processes and tools to meet the fiduciary financial planning requirements of CFP Board may not always be able to call the advice they deliver “financial planning.” This could create confusion among clients receiving advisory services from CFP® professionals. Clients may believe they are receiving a financial planning service that meets CFP Board’s definition when they are instead receiving a service that is narrow in scope and incidental to the transaction. For this reason, some brokerage firms believe CFP® professionals present more legal risk to a firm compared to other registered representatives at their firm. This section discusses this point in more depth and shows that CFP® professionals do not present greater legal risks to a firm compared to other types of financial advisors based on disciplinary actions taken by regulatory agencies.

CFP Board’s definition of financial planning is based on general guidelines that leave room for interpretation (see below) and could result in circumstances in which clients confuse incidental advice for financial planning.

CFP Board defines financial planning as follows:

“In determining whether the certificant is providing financial planning or material elements of financial planning, factors that may be considered include but are not limited to:

- The client’s understanding and intent in engaging the certificant
- The degree to which multiple financial planning subject areas are involved
- The comprehensiveness of data gathering
- The breadth and depth of recommendations

Financial planning may occur even if the material elements are not provided to a client simultaneously, are delivered over a period of time, or are delivered as distinct subject areas. It is not necessary to provide a written financial plan to engage in financial planning.”

The outcome that presents the most risk to CFP® professionals and firms is when clients believe they are receiving a financial planning service when in fact they are not. CFP® professionals risk disciplinary action from CFP Board, and firms risk damage to their reputation if clients accuse their advisor of breaching his or her obligations as a CFP® professional, even though the advisor was acting in accordance with their brokerage firm’s rules.

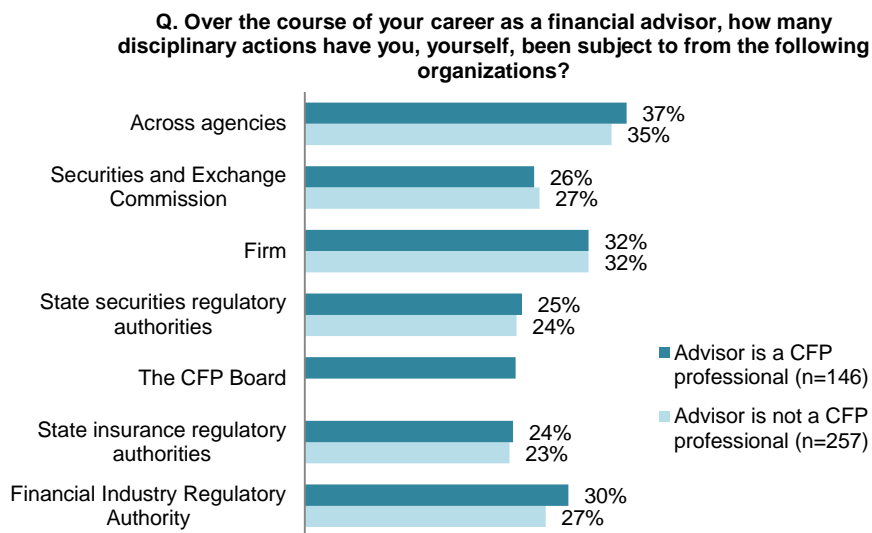
Other outcomes that could place the CFP® professional and firm at risk of disciplinary actions follow:

- **Delivering incidental advice one product sale at a time:** This approach could be interpreted as financial planning based on CFP Board’s definition.
- **Gathering comprehensive data prior to delivering incidental advice:** CFP® professionals may be inclined to gather more data than is necessary when delivering incidental advice because of their training, thus placing them at risk of providing financial planning based on CFP Board’s definition.

Some firms are providing specific client disclosures for their CFP® professionals to mitigate these risks and clarify differences between financial planning services provided by the firm and financial planning as defined by CFP Board. These risks will not disappear entirely until brokerage firms adopt a uniform fiduciary standard that requires advisors to act as fiduciaries at all times.

In spite of these risks, Aite Group’s study finds no difference in the number of disciplinary actions filed against CFP® professionals and the number filed against non-CFP® professionals (Figure 25). Specifically, 37% of CFP® professionals received at least one disciplinary action over the course of their careers while 35% of other advisors received an action.

**Figure 25: Disciplinary Actions—CFP® Professionals vs. Other Advisors**



Source: Aite Group’s survey of 403 U.S. financial advisors, October 2015

## CONCLUSION

Wealth management firms have been undergoing tremendous change since the financial crisis of 2008. In the United States, these changes have been largely driven by profitability pressures and changing investor preferences. Given this profitability squeeze, firms may see a need to cut back on advisor training and CFP® certification initiatives. Aite Group believes that firms should avoid cutting back on these budgets and should even consider expanding these initiatives to maintain their competitiveness. Investing in programs to increase CFP® professionals and meeting investors' changing preferences should go hand in hand. Here's why:

- **Aite Group consumer research shows that investors' top unmet financial need is a financial plan that provides structure to their financial lives.** As product fees decline, firms will need to make up the difference with rare, high-quality advice. This should involve investing in designation programs that are proven to improve the quality of financial advice. Aite Group's study validates that CFP® certification enhances the scope and quality of advisors' services, leading to higher client satisfaction.
- **Firms need to get more serious about measuring and managing the quality of the advice they provide, if this is the way they intend to differentiate themselves.** This starts with ensuring all advisors have the training to deliver good advice. In addition, firms should consider measuring advice processes and outcomes to share best practices across advisors (e.g., how advisors with the highest client satisfaction are developing and delivering advice).
- **CFP® professionals, along with their multidisciplinary knowledge base and their client focus, are in demand by HNW and future HNW investors (the young affluent).** Wealth management firms that are serious about attracting HNW clients need to get strategic about converting more of their advisors into CFP® professionals. Firms should also look to help HNW-focused advisor teams achieve the right combination of advisors and skill sets (CFP® professionals and others) to better meet wealthy investors' financial needs.
- **Aite Group believes that advisors who embrace financial planning and adopt a fiduciary standard of care with clients will be the financial advice industry's model going forward.** While CFP® professionals may present business model challenges and legal risks today, these obstacles will mostly disappear once all retail investment firms are required to adopt a fiduciary standard of care. Firms that are aggressive with growing the number of CFP® professionals today will be at an advantage when this time comes. In the short term, they will reap substantial benefits from their newly skilled advisor force in the form of stronger revenue and more satisfied, long-term clients.

## ABOUT AITE GROUP

Aite Group is an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, securities & investments, and insurance, Aite Group's analysts deliver comprehensive, actionable advice to key market participants in financial services. Headquartered in Boston with a presence in Chicago, New York, San Francisco, London, and Milan, Aite Group works with its clients as a partner, advisor, and catalyst, challenging their basic assumptions and ensuring they remain at the forefront of industry trends.

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