

CFA, CFP, ChFC ... How do consumers use acronyms to choose a financial advisor?

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When looking for a financial advisor, credentials are important. Advisors present a range of letters and titles after their names. But which ones are the best? And what do they all mean?

"The vast majority of people have no ability to evaluate whether a particular designation is appropriate for what they are looking for," Mark Maddox, an investment attorney with Maddox Hargett & Caruso P.C., told the *Indianapolis Business Journal* (1/9/08).

Even Maddox can identify only about a third of the designations, and he's a former Indiana securities commissioner. More than 70 associations confer more than 90 designations, making it difficult for the consumer to identify which type of advisor may best fit his or her needs.

CFA most demanding

CFA, CFP, CTFA, ChFC and CLU are the more common certifications among money managers.

The most rigorous certification is the CFA, which stands for Chartered Financial Analyst. Conferred by the CFA Institute, the designation requires passing three six-hour exams (250 hours of study are recommended for each), working as an investment professional for at least four years, and committing to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct, a pledge that must be renewed annually. Only one in five who seeks the designation receives it.

Currently, about 54,000 people in the United States hold the CFA, but that number is growing.

Visit cfainstitute.org for more information.

CFP most prevalent

The CFA is the most demanding, but the CFP is the most recognized. Nearly 100,000 professionals hold the Certified Financial Planner designation.

To become a CFP, professionals must pass two-hour exams given in five parts, plus a final exam. They then must complete 30 hours of continuing education every two years. The designation is conferred by the Certified Financial Planner Board of Standards. Like the CFA Institute, the CFP board holds its designees to a high ethical standard.

Visit cfp.net for information.

But wait – there's more

Insurance and banking industries confer their own designations, which creates a confusing mix of acronyms most consumers are unfamiliar with. For example, the American Bankers Association has conferred nearly 4,000 CTFA – Certified Trust and Financial Adviser – certifications since 1990. These professionals offer fee-based

services to affluent clientele. To qualify for CTFA certification, individuals must have specific levels of experience and education, pass a comprehensive exam and agree to abide by a code of ethics.

CLU and ChFC are the letters you're most likely to see after insurance agents' names. Agents earn the Chartered Life Underwriter and Chartered Financial Consultant designations by completing courses at American College focused on risk management for CLU and financial planning for ChFC.

All these designations are distinct from academic degrees awarded by universities, such as an MBA, and from the licenses states require for stockbrokers and financial planners.

Finally, any complaints?

All the acronyms in the world are meaningless if the advisor has complaints against him or her. Maddox advises consumers to check a potential advisor's background. How many complaints are too many?

"One," Maddox said.

Source: "Designations may cause confusion"

By: Scott Olson

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