



The CFP Board's Giant Step Forward

From *Investment Advisor Magazine* | [April 2007 Issue](#)
April 1, 2007

On March 9, the CFP Board of Standards released the Second Exposure Draft of proposed revisions to its Standards of Professional Conduct. As I've been a vocal proponent for a fiduciary standard within the financial planning/investment management world, I awaited the Webcast of the Board's meeting with skepticism. I assumed that they would bow to the pressure, real or perceived, of the brokerage firms that have been fighting against the higher standard, since many of the brokers within the firms held the CFP mark. I expected to be disappointed.

Now all I can say is—Wow!

The Board got it right. Presented with an opportunity to help shape our industry into a true profession, they did the right thing and mandated a fiduciary standard for all who provide financial planning services, or any of the material elements of a financial plan. Following is a quote from the new, proposed standards: A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of the financial planning process, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board. They define the term as one who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client.

The wiggle room present in the first draft is gone. The ability to have the client opt out of the fiduciary relationship by signing a form or checking a box has vanished. Instead, we have a clear, professional code to follow—standards that should help the consumer understand how to locate an advisor rather than a salesperson.

This second draft is certain to cause an outcry from some in the industry, and I'm sure those on the Board recognize this. Those firms that have worked diligently to avoid this higher standard will now have to determine the next manner in which to fight that fight. Do they bifurcate their brokers into two clear camps? Do they prohibit them from using the CFP mark? Or, perhaps, do they start to change their ways? Anything is possible, and it should be fascinating to see what develops from here.

This draft is also likely to catch the attention of the Rand Corporation, hired last year by the SEC to study the confusion among consumers under the current regulatory environment. Could it be that this decision by the CFP Board will provide the impetus leading to more changes in SEC language, and even greater protection for individual investors?

I reflect back on my years in the industry battling the consumer opinion that financial advisors are predators. I remember the discussions with "colleagues" who openly talked of their sales success and production goals, and the contempt with which they treated their clients. I recall their incredulous looks when I mentioned the goal of a higher regulatory standard, their bewilderment at my belief that the consumer should demand more, and their baffled response when I would opine that only those that embraced a fiduciary standard would be left standing at the end of the day. They will now have a choice: Embrace this new reality and become true advisors, or be seen clearly by the consumer as something much, much less.

I applaud those on the CFP Board who have taken this bold step, and I look forward to continuing to work with them as this profession continues to be formed.

John K. Ritter, CFP, CFS
Ritter Daniher Financial Advisory, LLC
Cincinnati



(c) 2006 *Investment Advisor*. A [WICKS Business Information](#) publication. All rights reserved.