

Designations proliferate, causing lawsuit worries

By Charles Paikert

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NEW YORK - Those financial planning designations just keep on coming, and investor lawsuits may not be far behind, some in the industry say.

There are nearly 100 certifications or designations - and counting - being issued for various forms of financial planning, according to organizations and websites that keep track, such as financialsoftware.com.

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For instance, New York-based Kaplan Financial's Kaplan University offers a wealth management certificate to high school graduates who pay a tuition fee of \$595, take seven online lessons in areas such as "asset allocation process" and "investment strategies," and pass an open-book test online.

The entire process "should only take maybe one month or three at most," a Kaplan admissions adviser said. Kaplan Financial is a division of Kaplan Inc., a New York-based subsidiary of The Washington Post Co.

The program is "not very long, but you get a good education," the representative said. "And you get a nice designation, which people like to see."

But, said Sarah Teslik, chief executive of the Denver-based Certified Financial Planning Board of Standards Inc., "The more credentials with sub-standard training and monitoring that there are, the more opportunity for lawsuits there will be."

Laurence Barton, president of The American College in Bryn Mawr, Pa., agrees, calling the growing number of unregulated designations, "a dangerous situation."

"I'd suggest the industry is heading toward class-action lawsuits," he said. "Either this industry will clean itself up, or it will be done for us, and it will be embarrassing and costly."

The 78-year-old college awards the chartered financial consultant, chartered life underwriter and other designations, and is a leading administrator of courses for the industry's flagship

designation, certified financial planner.

To earn the CFP designation, candidates must complete six courses requiring more than 1,000 hours of study, pass a series of examinations, complete three years of work as a planner, submit a disclosure form and agree to adhere to an ethics code, and, beginning next year, hold a bachelor's degree.

In addition, the designation must be renewed every two years based on fulfilling a continuing education requirement.

By contrast, the New Buffalo, Mich.-based Wealth Preservation Institute offers a "certified wealth preservation planner" designation to advisers who complete a 24-hour educational course and pass a multiple-choice examination with five essay questions.

Lawyer Rocco M. DeFrancesco Jr., the founder of the institute and the author of "The Doctor's Wealth Preservation Guide" (Selah Publishing Group, 2003) as well as president of Financial Management Group LLC in New Buffalo, didn't respond to requests for an interview.

Meanwhile, those interested in selling long-term-care insurance can, for about \$1,000, attend a two-day "master class" - or take a correspondence course. If they pass a written exam, they can receive the "certified in long-term care" designation from the Newton, Mass.-based Corporation for Long-Term Care Certification Inc.

Mr. Barton said he gets "emotional and offended" when someone "can take a course in a hotel for three days and walk out with a financial designation that clients believe equips you to give financial advice on very complex matters."

He called such designations "turnstile education" with questionable content, testing and certification. And while Mr. Barton said he isn't "opposed to new designations" in principle, he thinks a number of the newer ones will be "exposed on shows like '20/20' and 'Dateline' for what they are: profitable startups that are probably not sustainable."

Daniel Moisand, president of the Denver-based Financial Planning Association and a principal of Spraker Fitzgerald Tamayo & Moisand LLC in Maitland and Melbourne, Fla., takes a more charitable view.

The increasing number of designations, he said, is "a manifestation of living in a free-market country. If you want to found an organization that offers a credential, you are free to do that, and if the market responds, it responds."

But, Mr. Moisand added, there has been a "downside" to the ever-expanding number of designations. "The more there are, the harder it is for the public to assign proper meaning to them," he said.

Some regulators already have stepped in.

In November, Massachusetts securities regulators filed a 52-page civil complaint against Lynnfield, Mass.-based Investors Capital Corp., alleging, among other things, that some of the firm's representatives, touting their "certified senior advisor" designations, "deceptively held themselves out as financial planners or investment specialists, only to induce unsophisticated customers into purchasing unsuitable equity-indexed annuities."

The company denied the charge and said its agents had to earn the designation before they could use it.

But in an interview with Dow Jones News Service last month, Massachusetts Secretary of the Commonwealth William F. Galvin took issue with the designation itself.

"When language is used to imply a special interest or designation, and it's just another marketing tool, it's a problem," he said. "It's a fuzzy, feel-good term, but what does it mean?"

In Michigan, the office of Financial and Insurance Services is investigating the use of financial planning designations, according to public information officer Andrew Schor.

And the Washington-based North American Securities Administrators Association Inc. warned elderly investors last month to be on guard against people calling themselves "senior specialists." State securities regulators op-ened at least 26 cases in-volving that designation, according to the group.

Not all new designations should be tarred by the same brush, argue executives from the organizations that issue them.

The wealth management certificate was introduced in 2004 for "folks who weren't necessarily looking for something as comprehensive or as in-depth as the CFP," said James Dalton, senior vice president of advanced designations for Kaplan Financial. Those who earned the certificate and who also wanted to get a CFP would be able to bypass some introductory courses for the latter designation, he said.

Mr. Dalton denies that the wealth management certificate's requirement of seven online courses and an open-book test makes it too easy to obtain.

"It's positioned fairly correctly," he said. "You have to crawl before you can walk."

Nor does Mr. Dalton agree with the idea that more designations will lead to lawsuits.

"I don't see the likelihood of having class actions," he said. "It's not a big possibility."

Industry executives also argue that growing financial specialties in medicine, state and federal regulations, divorce, elder care and holistic practice will make more designations inevitable.