FINANCIAL PLANNING COALITION

The Lack of Regulation of Financial Planners Harms Consumers

The Issue

- There is no direct regulation of financial planners at the state or federal level. Although aspects of financial planning are regulated (i.e., investment advice, trading securities or selling insurance products), the current regulatory scheme does not regulate the provision of integrated advice, which is the cornerstone of financial planning.
- Anyone can call themselves a financial planner without being required to meet any competency or ethical standards.
- The lack of comprehensive regulation results in gaps that allow unqualified and unethical persons to harm investors.

Benefits to Consumers

- Financial planners help millions of Americans properly manage their financial resources by assisting with decisions that affect, among other things, budgeting, saving, investing, retirement planning insuring against risk, and tax planning.
- Households, across all income levels, that have financial plans reported higher levels of financial well-being than those without a plan.
- 70% of consumers surveyed said they preferred an adviser who could take a comprehensive view of their finances versus one who specializes in one area.

Harm to Consumers

- Consumers are confused by the numerous titles and designations that financial planners use, which, coupled with industry misrepresentation, make it hard to find competent and ethical financial planners.
- Consumers are harmed by financial planners who, driven by economic incentives, identify as financial planners but do not provide financial planning services. Based on 2013 data collected by Cerulli Associates, over 100,000 advisors self-identified as being a part of a financial planning-focused practice but did not actually provide financial planning services to the client.
- Consumers seeking financial planning services are harmed by advisors who purport to provide financial planning, but in fact provide narrowly focused advice or single product solutions.
- Consumers are harmed by “financial planners” who are not required to provide advice under a fiduciary standard of care.
- Consumers are harmed by “financial planners” who are not required to demonstrate any specific competencies.

Regulation of Financial Planners Will Protect Consumers

- Appropriate regulation of financial planners will protect consumers by:
  - Requiring competency and ethical standards for those who hold themselves out as financial planners or providing financial planning services;
  - Deterring unqualified persons from marketing themselves as a financial planner;
  - Deterring persons from using the financial planning approach to only sell securities or insurance products; and
  - Enabling consumers to identify advisors who are qualified to provide holistic, integrated financial planning services and are required to provide advice in the best interests of the client.
- Given what is at stake – the financial well-being of millions of American consumers – appropriate regulation, similar to licensing requirements for other professionals (lawyers, doctors and accountants) is necessary to protect consumers.