### Wall Street Journal breaks thousands of CFPs with public records of misconduct

- Thousands of client disputes, fines, suspensions, crimes including felonies
- These CFPs listed as “clean” on CFP Board find a planner site
- WSJ on CFP site:
  
  “what they won’t find there is any indication that thousands of the planners bearing the board’s seal of approval have had customer complaints or faced criminal or regulatory problems—often directly related to their work with clients,”

### CFP Board spending tens of millions to pitch CFP Brand

- Claimed CFP was “the highest standard”
- Claimed CFPs were “thoroughly vetted”
- Investments paid off – CFP now more recognized than CPA

### CFP Board a tax-free charity, not professional regulator or membership org

- Essentially a trademark licensing operation
- Over 80,000 CFPs paying $400/yr yields nearly $30M/yr to CFP Board
- High % spend on ads to build CFP brand and produce sales leads for CFPs

### CFP Board mostly not run by CFPs

- Most senior staff not CFPs or have financial planning experience
- Only about half of CFP Board directors are CFPs

### History of lapses in protecting public

- 2012- WSJ – “Is the fiduciary standard a joke?”
- 2013 - WSJ - Up to 11% of certified financial planners who work at big firms call themselves ‘fee only’ when, by definition, they can’t be.
  - CFP Board claims ignorance to WSJ, but insider on record saying Board knew “forever”
  - Amnesty – not discipline given to CFPs misrepresenting compensation

### CFP Board tells public CFPs “thoroughly vetted” but stopped in 2008

- CFP Board Chief Executive controls disciplinary/judicial function since 2008
  - Mass-resignation of CFP Board Commissioners
“threatens the integrity and independence of the... disciplinary process...”
“compromised the objective and justice of the enforcement process”
“now an entirely self-perpetuating body with no oversight, checks, or balances...”
“act in secrecy, with no checks and balances, and without true accountability to anyone...”

Prior to this, CFP Board routinely searched FINRA, SEC, other regulators for CFP red flags
Since then has relied on CFP representations, thousands of which WSJ found untrue

**Does consumer protection take a back seat to CFP Board cash flow?**

“...much more interest in growing number of CFPs than in vetting them to protect public” – former CFP Board exec
2010-2017
- Number CFPs rose by nearly 33%
- Revenues up 37%
- Number CFP investigations dropped by 75%

**CFP Board: “Self-Perpetuating/Accountable to No One”**

“It is little more than a self-serving entity operating under the guise of serving the public interest. The interests it actually serves are merely those of itself and its members”
“Board’s fiduciary initiatives are being fueled by politics, power, ego and greed...”
“no open elections for directors”
“directors are required to sign a confidentiality agreement”
“any conversation with a director – public or private – requires the presence of senior staffers”
“absence of minutes identifying the directors who are taking part in determining the exorbitant salaries of senior staffers”
“some suggest that the board subtly curries favor with CFP Board directors by dangling lavish perks...”
“...CFP Board CEOs reportedly have retained CFP Board chairs as their own financial advisors,”
“some former directors are starting to wonder exactly how high that price is and whether the luxurious junkets and other perks color directors’ judgment.”

sitting **Chairman of CFP Board resigned** under mysterious circumstances related to a disciplinary investigation against him; he was later **found to have been misrepresenting his own compensation**

Ethics Commissioners appointed by CEO, who were not fee-only when appointed, asked to resign by CEO after fee-only misrepresentation scandal breaks, but receive no public discipline
“Our Primary Goal Is to Keep (CFPs) Out Of Trouble”

- Ric Edelman “It is little more than a self-serving entity operating under the guise of serving the public interest. The interests it actually serves are merely those of itself and its members.”
- WSJ Journalist A. Roth, CFP reports
  - “The CFP Board inexcusably protects certificants at the expense of the public”
  - “Board doesn’t even bother to sufficiently review public records while advertising to the public that certificants have been thoroughly vetted.”
  - Quotes CEO Keller: “our primary goal is to keep certificants out of trouble” when pressed on why “actually enforcing standards” is not priority

Does CFP Send False Quality Signal?

- CFPs must pass hard test and agree to de facto fiduciary code
- Even when not legally required to be fiduciary, bound by code
- CFPs know more and have higher ethical obligations than other advisors
- Should deliver better client experience and show lower misconduct
- Academic research:
  - Confirms Journal’s findings
  - Sample: N=27,000, entire FL advisor population
  - Conclusion:
    - CFP factor made no difference
    - Picking advisor by CFP alone associated with worse misconduct
- Problem well known – and tolerated – in CFP community

A Financial Planning/Financial Advisor Profession DOES NOT EXIST

- Anyone can use title
- Regulations patchwork and poorly enforced
- Revoked reps can jump financial industries and keep abusing consumers
- Real professions must meet six tests – but planning/advisory fails all 6

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For more information on this author click here or to download an advisor selection guide by this author, click here.