Rewiring the Financial Planning Profession

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by Jamie Hopkins

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With stories of the Department of Labor Fiduciary rule breaking almost daily over the past three years, the news cycle will finally be shifting its focus to the SEC fiduciary rule as the DOL rule appears expiring. However, the DOL rule was one minor episode of a long transition towards a fiduciary model of financial planning. It was by no means the start of the fiduciary conversation, and the new SEC rule will not mark the end of the discussion. Nevertheless, to serve the needs of our evolving consumers, a more comprehensive fiduciary mindset needs to be adopted in order to survive.

The financial services profession needs to “rewire” its current thinking.

In my recent book, ***Rewirement: Rewiring the Way You Think About Retirement!***, I encouraged both financial advisors and consumers to rethink the way they view retirement planning by urging everyone to take a comprehensive look at planning. While comprehensive planning sounds intuitive, it is in fact much more complicated. While comprehensive planning and fiduciary responsibility are not synonymous, a fiduciary framework requires a broader or “holistic” view of planning. The fiduciary framework evolved from a complicated past in which financial planning grew out of specialized disciplines, such as insurance and investing. As such, those disciplines have struggled to revamp what were successful businesses into the new framework of financial planning.

From the 1920s to 1940s, there were just insurance professionals and stock brokers. The former functioned as the trusted financial advisor and the latter worked only with a small subset of the population. The American College of Financial Services developed the CLU designation for these insurance professionals 90 years ago, to try and build a profession in the industry. The insurance professional was the dominant “financial planner” for decades, and it wasn’t until the 1970s and 1980s – in part due to the changes brought forth by ERISA retirement plans – that the idea of a comprehensive financial advisor, managing assets and developing full financial plans, emerged.

The problem with this emergence was that specializations in the areas of insurance and investment management had already developed. Strong, profitable and respected companies dominated the financial landscape. But, they were not comprehensive. They were specialized financial planning companies. If the industry had developed like attorneys, where generalists were followed by specialists, the notion of broad-based fiduciaries, or standard of care, would have been more easily adopted. Instead, comprehensive planning and a fiduciary framework posed serious challenges to well-established specialty practices.

So far, government attempts to force a broad standard of care have failed. Even the newly proposed SEC standard would be, at most, a very light “fiduciary standard.” So if the government can’t force the model, it begs the question who, if anyone, can?

It will be the market itself.

Consumers want comprehensive planning and are willing to pay for it. Technology and robo-services like Betterment disrupting traditional channels. These economic and technological forces are causing positive changes as companies combine planning services and technology to support their advisors.

The social, governmental, and market conditions moving financial planning towards a more comprehensive planning and fiduciary framework are also causing advisors to evolve. In order to serve this evolving market advisors need training and education. The American College, which is by far the longest standing college devoted to financial services, has continued to adapt its educational and training offerings. It added more comprehensive financial planning programs like the ChFC and education leading to the CFP decades ago, and has now built out two goal-based planning programs, the wealth management certified professional (WMCP) and the retirement income certified professional (RICP) programs. Focusing on client goals when building a plan fundamentally forces an advisor to expand his or her knowledge base and take a more comprehensive approach to planning.

I consistently hear the same message from advisors: “I have been practicing for decades doing this type of comprehensive work and I have learned so many practical things that are improving my clients’ situations.” Taking the time to step back and look at the framework of a comprehensive approach to planning provides value, even if you feel like that is what you have been doing for years. Comprehensive financial planning still needs specialists, but the team approach to financial planning enables all parts to support each other in a way that best meets a client’s needs.

*Written by **Jamie Hopkins**, a professor at **The American College** and director of the New York Life Center for Retirement Income. Hopkins is a well-recognized writer, speaker and thought leader in the area of retirement income planning. His most recent book, **"Rewirement: Rewiring The Way You Think About Retirement,"*** details the behavioral finance issues that hold people back from a more financially secure retirement.