

## ARE ADVISOR CERTIFICATIONS IMPORTANT TO YOU?

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Like other professionals, many financial advisors go through hours of education in order to achieve certifications which demonstrate the advisor's fit for providing responsible advice.

A Certified Financial Planner, for example, must complete a lengthy program of education and test-taking, and among the subjects covered in the testing are investments, estate planning and insurance. A CFP must have three years of experience in the field before they can receive the CFP certification from the Certified Financial Planner Board of Standards.

There are three designations that indicate years of training of various degrees on various topics: Certified Public Accountant, Chartered Financial Analyst, Chartered Life Underwriter, etc. But do those titles matter to investors when they are considering a new financial advisor?

It is very unlikely that investors know the extent to which advisors go in order to be certified. They are unlikely to know what each certification means in terms of advisor knowledge and expertise. Investors may not even know what word each letter in the certification acronym stands for.

Do certifications matter to investors? Do they carry any particular weight with investors?



Previously, Spectrem asked Millionaire investors with a net worth between \$1 million and \$5 million whether advisor certifications were important to them, and 76 percent of those investors said "yes". That's an overwhelming preference for advisors who carry certifications which prove their educational background related to investing and finance.

In September, Spectrem asked a different question of investors with a net worth between \$100,000 and \$25 million. Investors were asked which advisor certifications they were aware of, and 60 percent said they were aware of Certified Public Accountant and Certified Financial Planner. That's 40 percent of investors who were not familiar with those two terms, and yet they are the most popular and most well-known of advisor certifications.

Considering that investors care whether their advisor has a certification, it is telling that many investors are unaware of what the certifications mean.

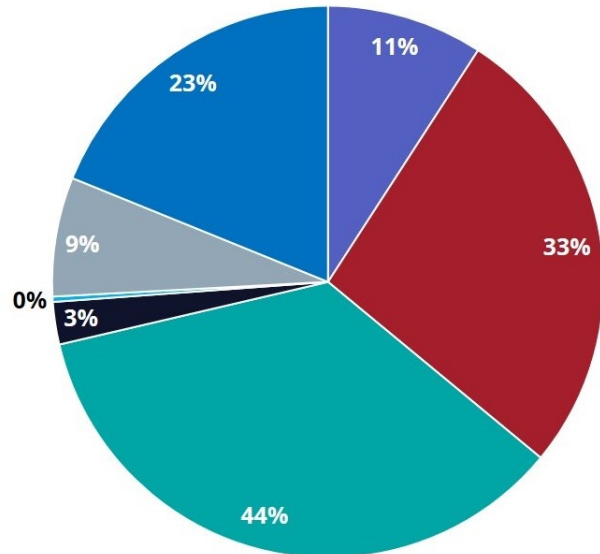
Only 33 percent were aware of Certified Financial Analyst. CFAs are required to take multiple exams in true testing situations (not online), have worked as an investment professional for four years before testing, and most maintain a code of professional conduct which is monitored by the CFA Institute.

Only 19 percent of investors were aware of the Chartered Life Underwriter designation, which is earned by life insurance agents with three years of business experience prior to certification. Only 13 percent had heard of a Chartered Financial Consultant, which is another certification for the insurance industry and also requires passing many exams before certification.

Awareness is one topic: value is another. Those same investors were asked which certification carries the greatest value in their view, and the CFP was selected by 44 percent of investors, with the CPA getting 33 percent of the nods.

There were 11 percent of investors who value the CFA the most, and 9 percent which selected the Certified Wealth Management Specialist, a certification offered by the International Association of Financial Management, which

Advisor Certification With the Greatest Value



- CFA - Chartered Financial Analyst
- CPA - Certified Public Accountant
- CFP - Certified Financial Planner
- ChFC - Chartered Financial Consultant
- CLU - Chartered Life Underwriter
- CWMS - Certified Wealth Management Specialist
- None of the above

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requires 40 hours of in-class training and 15 hours of continuing education every two years. Only 12 percent of investors had even heard of a CWMS, but those that were aware of the certification must consider it significant.

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