Raising the Next Generation of Financial Planners

Competencies Needed for Entry Level Financial Planning Positions

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A survey of financial planning professionals was conducted to determine the level of expertise and importance of financial planning topics desired by employers of entry-level graduates of financial planning degreed programs. Based on the 89 topics of the Topic List for CFP® Certification Examination plus 12 other skills and qualities, a basis for financial planning curriculum design in higher education is presented.

The survey was administered online to samples of the membership of two well-established financial services organizations during the summer of 2009. Over 150 advisors responded to this survey designed to discover what advisors are looking for in their new hires. The majority of the respondents characterized their firm as an independent registered investment firm, followed by insurance firm, national financial services firms, and regional broker-dealer.

In this study, advisors were asked to evaluate competencies and skills (based on focus groups of advisors) with regard to 1) level of importance of selected content areas and 2) level of knowledge they would expect an entry level advisor to demonstrate. This ranged from “basic knowledge and understanding” to “evaluation and synthesis.”

Competencies, skills and qualities for entry level financial planning professionals

Of the 101 technical competencies, skills and qualities, only twelve were rated as both “Very Important” (on a 5-point scale) for an entry level position and that new professionals should to be able to deliver with a high level of expertise (i.e., apply and analyze or evaluate and synthesize).

Seven of these covered core content competencies:

- **Financial Planning Process** including the purpose and benefits, the six-step process, and responsibilities
- **Time Value of Money** concepts and calculations including present value, future value, ordinary annuities and/or annuities due net present value, internal rate of return, uneven cash flows, and serial payments
- **Insurance Needs Analysis** including life, disability income, long-term care, health, property, and liability insurance
- **Asset Allocation and Portfolio Diversification** including strategic asset allocation, rebalancing, tactical asset allocation, control of volatility, and strategies for dealing with concentrated portfolios
- **Income Tax Fundamentals and Calculations** including filing status, gross income, adjustments, standard and itemized deductions, personal and dependency exemptions, taxable income, tax liability, tax credits, and payment of taxes

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• **Retirement Needs Analysis** including assumptions for retirement planning, income sources, financial needs, straight-line returns and probability analysis, pure annuity and capital preservation and alternatives to compensate for projected cash-flow shortfalls

• **Retirement Distribution Rules, Alternatives, and Taxation** including premature distributions, election of distribution options, required minimum distributions, beneficiary considerations and Stretch IRAs, qualified domestic relations orders, and taxation of distributions

Five addressed non-technical competencies:

• **Principles of Communication and Counseling** including types of structural communications, essentials in financial counseling, characteristics of effective counselors, non-verbal behaviors, attending and listening skills, and effective use of questions

• **Client-Planner Interactions** including client and planner attitudes, values, biases and behavioral characteristics and the impact on financial planning

• **Communication Skills** including listening, written, and verbal communication skills

• **Critical Thinking Skills** including seeking alternative hypotheses, explanation, conclusions, plans, sources, etc., as well as being well informed and open to new ideas and points of view

• **Organizational Skills** including the ability to manage multiple assignments and tasks, set priorities, and adapt to changing conditions and work assignments.

Of these 12 competencies, only Communication Skills was rated “Very Important” and deliverable at the highest level “Evaluate and Synthesize.”

These advisors want entry-level hires to have a basic understanding of the financial planning process, but most are comfortable providing higher level education and experiences working in the firm. Yet, they expect new staff to be able to communicate well and apply counseling principles right out of school.

**Personal characteristics that are most important in an entry-level financial planning professional**

Advisors ranked the following personal characteristics as the five most important from a list of 16 characteristics: professional attitude, interpersonal skills, service orientation, intellectual curiosity, and maturity.

**Other Desirable qualifications**

• When hiring an entry-level professional, respondents were most likely to look for a candidate with a BA/BS in personal financial planning (PFP). Among graduate programs a MS in PFP was most desired.

• The CFP® certification is by far the most desired designation looked for or encouraged for an entry-level position. Ninety-two percent of the total sample selected the CFP® designation. The Chartered Financial Analyst (CFA) and Certified Public Account (CPA) were next at 20 and 13%, respectively.

• Over one-half of respondents indicated their firms required the CFP® certification, upon hire or within a specific period of time. Over 80% of the total sample reported that their firms paid for or reimbursed all or part of the cost of acquiring and maintaining the CFP® certification.

It’s important to note that educators like you around the country are providing these learning opportunities for the next generation of advisors.

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