

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

The Educated Advisor, Part II: The Need for Certification and Continuing Education

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An old cowboy once said to his son, “Son, dere’s two kinds of edukation – book lermen and ‘sperience. One ain’t by itself no good. Ya need both plus a heapen good dose of horse sense.” Of course, in these times, there are additional options to “book lermen and ‘sperience.” While some of these options are briefly explored, this article also deals with a major problem in the financial services industry that must be immediately addressed – education (or, the lack thereof).

As you know, educational standards for the vast majority of the financial services industry are virtually non-existent. The firm element of the continuing education requirement, which governs about 80% of this nations’ advisors, is so vague that too many firms are able to offer lightweight information instead of complete courses that will truly enhance the professionalism of the industry. This is totally unacceptable. It severely hurts the entire profession in the eyes of the investing public.

Consider It From The Client’s Point of View

For discerning investors searching for a high-level advisor, the only competition for one high-level advisor is another high-level advisor. There are hundreds of thousands less knowledgeable, non-credentialed and less experienced advisors who are also competing for the same account – who rely on the reputation of their firms to provide the added value that many readers of this publication already offer. So, the question that must then be asked is: “What factors should a discerning investor employ when searching for and choosing an investment advisor?” There are a number of factors that must be taken into consideration, including certifications/designations, experience, rapport, community involvement, investment

processes, references, staff members, ambiance, professional associations, etc. Each of these can be a point of differentiation.

Three simple analogies serve to make this point. Would you take your brand new car to an auto mechanic who doesn’t like to deal with those new fangled computer chip thing-a-ma-bobbers? How about going to an attorney who hasn’t kept up with case law? Or, the doctor that doesn’t keep up with medical advances? Unless each had some magical talent which made them unique within their fields or unless you’re

desperate, you wouldn’t go to any of them. Nor would you go to an inexperienced attorney or doctor unless your needs were truly simple, ... or you were hoodwinked. Similarly, it is hard to imagine any affluent or wealthy, discerning investor using the services of anything other than a high-level financial advisor.

Educational Alternatives

So, what’s a conscientious person, concerned with long-term professional development to become a high level advisor that discerning clients will seek? How does one get an education? What are the industry resources available to grow professionally? This article will concentrate on professional certification.

Before reviewing various industry designations, consider some traditional approaches to education within our industry.

1. Instruction provided by most firms. Other than the major financial institutions, which have the budgets to develop suitable educational content, one cannot go to most firms and ask for competent instruction. It just isn’t available, except perhaps, product knowledge courses delivered by departmental representatives.

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2. Learning by trial-and-error. This is the approach taken by most advisors. Starting as rookies, they learn enough to pass the Series 7, pick up some product knowledge from marketing brochures and then start selling to clients. Unfortunately, for all too many people, they continue to acquire bits and pieces of product knowledge and never initiate a formal professional development program. This may have been acceptable 30 years ago but is unacceptable now.
3. Mentoring. It may be difficult to get a product knowledge expert at your firm to act as a mentor because that person usually has multiple demands and limited time. Besides many product knowledge experts have no sales experience and cannot offer ideas and techniques that work in the real world.
4. Books and periodicals. Purchasing some books may shed some light on the subject, but it usually takes a lot of reading to glean a few worthwhile ideas.
5. Conferences can be a viable alternative as long as the workshops are presented at an appropriate level of depth and sophistication. Unfortunately, most speakers only have a very limited amount of time to present complex materials. Another problem for speakers is that in order to get high ratings, the speaker must also be entertaining (or he/she won't be invited back) – often to the detriment of the depth of content presented.
6. Industry associations. The courses (self-study or instructor-led) to attain industry designations such as CIMA, CFP, ChFC, CFA, etc. are worthwhile and generally packed with useful information. Depending on your personal preferences and your business model/plan, certain designations would be more advantageous for you than others.
7. Independent, professional education companies, such as The Progress Center, that provide high-content courses and materials and the necessary coaching to meet a wide range of professional development needs.

Certification Is the Best Solution

Obtaining a professional designation, as many readers of this publication will agree, is the most viable approach to professional development that you can take. The courses are

generally well-conceived and provide pragmatic information. The only limitation is that most associations do not offer the breadth of information needed to ensure that all aspects of professional development are taken into consideration. (Some of the topics will be discussed in the next article.)

Unfortunately, the financial advisors seeking designations represent only a small percentage of the advisor population. Perhaps they are the industry's true professionals. These people subject themselves to on-going, strenuous continuing education requirements. Yet, while designations and continuing education are one way to judge the potential value of an advisor, it is also important to realize that a designation does not automatically equal competency. That said, any individual, whether from a large or small firm, who goes far beyond the norm to get professional designations, who regularly attends continuing education seminars required to maintain the designation and who subscribes to a stringent code of ethics should stand far above someone who does not do these things. Many advisors love the intellectual challenge of on-going education and regularly make statements similar to "you just can't know enough." In order to professionally grow, consider joining various industry associations and attending meetings/conferences from other disciplines to explore new concepts.

At heart, we humans are inquisitive beings. We want to try the unfamiliar, deepen our understanding of the familiar, explore the external and internal worlds that abound us.

This quest knows no age limit, and it certainly doesn't stop with a diploma or a degree.

Education Can Substitute for Experience

It has been said that wisdom comes from experience, and experience comes from mistakes. Another saying suggests that there are three kinds of people in the world: the fool who makes mistakes and continues to make the same mistakes over and over again; the average person who makes a mistake, sees the mistake, and says, "I'm not going to make that mistake again;" and the wise person who has been watching the mistakes of the others and says, "I'm not going to make those mistakes." The question now becomes, regardless of what type of person you were in the past, what type of person do you want to be from this day forward? I would contend that to become a "wise" advisor, it is necessary to take accreditation and continuing education courses so that you may learn from industry experts and avoid reinventing the wheel or making easily avoidable mistakes.

Unfortunately, too many people equate years in the business with viable experience. In some cases it may be correct, but in most cases it merely gives a false sense of accomplishment. In order to avoid any self-deception, it is wise to continually raise the bar. The self-assessment shown in Table 1 will prove useful in that regard.

The difference between where you want to be and where you are represents your educational need. Realize that the educational need

Table 1.
Rate Your Professional Expertise

In this simple self-assessment, identify your main point of differentiation with respect to professional knowledge and ask yourself where you are now versus where you ought to be. (You can continue the process for each of your areas of specialization.) On a scale from 0 to 10, where do you want your knowledge level and that of your team to be?

0 = Indicates no experience, 5 = Fairly experienced/knowledgeable, 7 = The recognized expert in your region or community by other investment professionals, 10 = A nationally recognized expert.

Where am I now?	0	1	2	3	4	5	6	7	8	9	10
Where do I want to be?	0	1	2	3	4	5	6	7	8	9	10

In the second assessment, rate your entire team (internal and external) on the ability to provide "world-class" advice and services. Ask yourself if high net worth clients would seek our advice and talents?

Where is the team now?	0	1	2	3	4	5	6	7	8	9	10
Where should they be?	0	1	2	3	4	5	6	7	8	9	10

may take many forms. It could be knowledge, but it could also be learning to attract ideal clients, how to structure your team to provide high levels of service or how to profile clients more completely.

Deciphering Alphabet Soup

How many of these do you have? CIMA, CFP, CPA, CLU, CMT, CNT, ChFA, IFA, CPTx, PFS, CIS, CBT? These, of course, represent less than one-third of the designations available, with two of them made up for this article. The question is, "Which two?"

There are so many designations that even investment professionals are becoming confused. The list of financial services industry associations and organizations providing designations is too long to list them all here. Each has different, yet overlapping, services. Depending upon your practice goals and personal preferences, different designations may be more advantageous than others. For example, for portfolio management and evaluation services consider CIMAs or CFAs. For financial planning services, CFA, CPA, ChFC, and CLU designations may be more advantageous. To learn more about each designation, including its educational requirements, code of standards/ethics, practitioners in your area, either call the organization(s) or visit their web sites (Table 2).

Remember, it is not important that you have any particular designation to be successful. What is important is that you, via an internal or external team, have access to those who have the knowledge and skills needed to attain your and the client's objectives.

It is noteworthy that each of the people interviewed for *The Mega Producers: Secrets of Financial Services Superstars to Lead You to the Top*,* had a CIMA designation and attributed much of their ability to work with high net worth individuals to the knowledge gained from this program. The advisors interviewed are in the upper half of 1% of all advisors in the world and manage 5-15 times more assets than typical top producers. They all highly recommended the CIMA designation. The other designations recommended in the book are the IFA and MSP.

In Conclusion

Most investors, regardless of the amount of money involved, want someone who has a lot of experience. They do not want their advisor(s) to gain "experience" at their

expense. Industry credentials can make up the difference. Obtaining professional certifications and taking continuing education courses should be considered by all readers as just one way of differentiating yourself from the competition. To be an industry leader, you must, as Stephen Covey would say, continually sharpen the saw. Those who do are the ones providing real value to their clients and are the ones who will both survive and thrive in the years to come. ■

Note

*Released by Dearborn Press, December 2003. Available from certain book stores, Amazon.com or Steven R. Drozdeck.

Table 2.

CFA	www.aimr.org
Chartered Financial Analyst	800-247-8132
CFP	www.cfp.net
Certified Financial Planner	888-237-6275
ChFC	www.amercol.edu
Chartered Financial Consultant	888-263-7265
CIMA	www.imca.org
Certified Investment Management Analyst	303-770-3377
CIS	www.imca.org
Certified Investment Strategist	303-770-3377
CLU	www.amercol.edu
Chartered Life Underwriter	888-263-7265
CPA	www.aicpa.org
Certified Public Accountant	888-777-7077
CPTx	www.fraudpro.com
Certified Practitioner of Taxation	408-274-7390
CSA	www.society-csa.com
Certified Senior Advisor	888-653-1785
IFA	www.cfstudies.com
Investment Fiduciary Auditor	412-390-5080
PFS	www.aicpa.com
Personal Financial Specialist	888-777-7077
MSP	www.thewrightco.com
Macro Strategic Planner	800-237-9990
RIA	www.sec.gov
Registered Investment Advisor	202-942-0691
Brief descriptions of these and other industry designations may be obtained from www.mutualfunds.about.com	

About the Author

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