

THE FUTURE OF FINANCIAL PLANNING ACADEMIC PROGRAMS: DOES THE FUTURE LOOK BLEAK?

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Financial Planning: Where We Have Come From¹

December 1969 was a momentous date in the history of how financial services are packaged, marketed, and monitored in the United States and around the world. It is on this date that 13 financial services practitioners and one author met at O'Hare International Airport to discuss the creation of an industry that would later be named 'financial planning.' Under the leadership of Loren Dunton, the one non-practitioner in the group, those in attendance created the College for Financial Planning, the International Association of Financial Planners (IAFP), and a society for financial planning. The College for Financial Planning still exists today, while the IAFP continues in the form of the Financial Planning Association (FPA). The society is the single concept created in 1969 that no longer exists.

Only a handful of people practiced what might be considered a type of financial planning prior to 1969. Nearly all financial services professionals at that time were engaged in mutual fund and insurance sales. Some practitioners sold mutual funds door-to-door, while others sold insurance policies to individuals and companies. Very few firms used a process of establishing a relationship, gathering data, examining data, developing a plan, recommending solutions, implementing, and monitoring as an approach to selling products. The idea of hiring a person or firm to serve a client as a comprehensive financial planner was something that few practitioners or consumers envisioned at the time.

What happened in 1969 literally changed the face of financial services forever. It did not take long for consumers to realize that there was more to achieving financial success than simply purchasing a product. Success could better be achieved if a professional advisor was hired to help establish goals and objectives and then to develop a comprehensive financial plan to meet those very aspirations. The outcomes of the 1969 meeting also helped practitioners realize that a process of financial planning could be used to both improve client outcomes and planner practice results. The first group of practitioners to complete the Certified Financial Planner designation requirements totaled 42. The road to where financial planning sits today was

not a smooth one however. Early adopters of the phrase 'financial planning' were dominated by advisors whose primary objective was to sell product and assist clients avoid onerous tax rates. The use of tax shelters, annuity products, limited partnerships, and hard asset investing captured the attention of financial planners and their clients through the 1970s and early 1980s. It was only after the tax law change of 1986 and the significant reduction in inflation during the Reagan presidential years that turned the focus of financial planning towards a more holistic and comprehensive view of a client's financial affairs.

The 1990s witnessed record numbers of people entering the field of financial planning. Much of the growth can be attributed to the good economic situation and rising securities prices during the last decade of the 20th Century. Major events during the decade included the growth of Fee-Only financial planning, the expansion of the College for Financial Planning as an independent institution of higher education, the establishment of the Financial Planning Association, the escalation of organizations offering specialized designations and certifications, the expansion of organizations such as the International Association of Registered Financial Consultants and the Certified Financial Planner Board of Standards, Inc., and the increase in academic financial planning programs at universities across the United States.

Financial Planning: Where We Are Today

Financial planning sits at a major crossroad in time and purpose. One question ought to dominate the thinking of professional leaders as they ponder the future of financial planning, namely, "Is financial planning a vocation or a profession?" The implications on how one defines a vocation, versus a profession, play a critical role in the future direction of how financial planning will be practiced in the future.

According to Grable, Lytton, and Klock (2005), "A vocation refers to a field of work where one's earnings and wealth is based on the amount of effort applied. In general, someone employed in a vocation needs minimal training or advanced study to be proficient in the trade. A profession, on the other hand, refers to fields that require specialized knowledge, mastery of refined skills, and extensive study. Additionally, a profession can only be held by a person rather than a firm or company. Nearly all professions require practitioners to be licensed or certified and regulated by a professional board made up of practicing peers. Professions are also known by their strict educational requirements, practice standards, and self-regulatory enforcement of the standards. Further, all professions have a code of ethics."²

Several occupational endeavors can be classified as professions using these standards, including law, medicine, nursing, and engineering. Should financial planning be listed among these professions? There currently

is no consensus among practitioners about the answer to this question. Not all financial planners want to see financial planning transition from a vocation to a profession. Some people who call themselves financial planners equate planning with simply providing a service.³ Vocational financial planners see themselves as intermediaries between consumers who need or want a financial product and a company that is willing to supply the product.

In one respect, it can be argued that financial planning is not a profession, especially if one adopts the view that financial planning is simply a form of product delivery. While this may have been the predominant view from the 1960s through the early 1990s, the historical record suggests that this notion of financial planning is no longer the dominant point of view. Financial planning is closer to a profession today than at any time in the past. So, what exactly defines a profession? As shown below, there are nine (9) generally accepted standards used to define a profession. A profession requires practitioners to have:

- Specialized knowledge
- Mastery of skills
- Extensive study
- One or more licenses and certifications
- Some college training
- A professional board of oversight
- Practice standards
- Self-regulatory enforcement of rules
- Code of ethics

How does financial planning stack up against these standards?

Fairly well, actually. There is still no consensus that financial planners need to have one or more certifications and/or designations, nor is there a self-regulatory association or commission that oversees all financial planners. Other than these 'deficiencies' there does seem to be some agreement that financial planning, as an activity, does meet the other professional standards. However, until there is a general consensus on all of these issues, it is unlikely that policy makers, university administrators, and the media will acknowledge financial planning as a true profession.

Financial Planning: A Possible Future

The future of financial planning can be viewed as either bright with possibilities or doomed to vocational status for the foreseeable future. The strongest evidence of this forecast can be found on university and college campuses across the United States. Although the number of universities and colleges that offer financial planning as a degree option *appears* to be growing, this, may, in fact, not be the case. Trends within higher education put financial planning academic programs in jeopardy and without strong

support of financial planning practitioners 'financial planning,' as an academic discipline, may begin to implode on campuses across the country.⁴ And without strong academic support for financial planning it is unlikely that financial planning will ever reach the threshold of professionalism that is so strongly needed.

Universities and colleges that offer financial planning degrees face five threats:

1. Lack of industry funding
2. Weak theoretical basis
3. No social science citation indexed journals
4. Lack of program accreditation
5. Lack of national program rankings

The interrelated nature of these five threats is discussed below.

Lack of Industry Funding

In general, the financial planning industry has not embraced financial planning as an academic program of study. There are certainly exceptions to this, but the generalization is valid.⁵ There are few, if any, endowed professorships in financial planning. This compares negatively to industry support of accounting, finance, insurance, and other 'financial services' degree programs found on most American campuses. The situation is bleak when compared to how well specific industries support other academic disciplines. Consider schools of engineering. These programs command huge commitments from industry in terms of student support, research funding, and faculty endowment. This simply is not the case when it comes to financial planning. It may be that the financial planning industry views academic programs as a ready supply of salespersons rather than a source of research and consulting. It may also be that because financial planning is dominated by small boutique firms support on a large scale tends to be limited. Regardless of the reason, however, without industry support financial planning programs will be in jeopardy as more universities look for ways to trim budgets. Those programs that are strongly associated with industry will survive, while those that are not will be cut.

Weak Theoretical Basis

Financial planning is one of the only academic disciplines that does not have a theoretical basis for guiding student studies and research. Yes, financial planning is based on a process, but there is no unifying theory of how financial planning works. Graduate students who have an interest in financial planning must currently borrow theoretical models and frameworks from other disciplines – finance, psychology, family studies, etc. As univer-

sity and college administrators look for ways to streamline academic offerings, those programs that lack a strong theoretical basis tend to be the first to be eliminated.

No Social Science Citation Indexed Journals

Possibly the greatest threat to the ongoing viability of financial planning programs on campuses is the lack of recognized research outlets. Increasingly, universities are looking for ways to judge the productivity of faculty. One primary way to do this is to 'count' the number of articles a person publishes in social science citation indexed journals. There are some universities where publishing anywhere else is frowned upon. Unfortunately, not a single journal that publishes financial planning research is indexed.⁶ This means that if someone publishes in *Financial Counseling and Planning*, *Financial Services Review*, or the *Journal of Financial Planning* there is the possibility that the paper will not count toward tenure or promotion. Worse, when academic units on a campus are ranked the lack of indexed journal articles will make financial planning programs appear nonproductive compared against other academic programs. Again, university administrators are beginning to use this criterion for how programs are funded.

Lack of Program Accreditation

Accreditation matters! Right now financial planning programs are 'registered' with the CFP Board. While registration is useful, and better than nothing, in the final analysis accreditation is the only measure of quality that matters in the academic world. Funding within universities and colleges follows accreditation standards. Programs that can show the possibility of losing accreditation without additional resources will tend to receive resources. So, even though financial planning programs may need resources (almost all do), in a competitive environment, available resources will tend to bypass registered programs and go to accredited programs.

Lack of National Program Rankings

Which financial planning program, be it undergraduate, graduate, or certificate, is the best in the country? Currently, the answer depends on who you ask. Every program director will say that his or her program is the best – the best students, the best faculty, the best resources, etc. But how is a university administrator – the person who decides how resources will be allocated – to know the truth? In terms of engineering, business, general studies, and almost all other programs there are national rankings – sometimes multiple rankings. For example, *The Wall Street Journal* ranks MBA pro-

grams. Not everyone agrees with the rankings, but at least there is a standard of quality that can be attained. In the ultra-competitive funding environment on campuses today programs that can show a high national ranking will receive more resources than those that have no ranking.

Financial Planning: Where We Need To Go

As stated earlier, financial planning sits at a crucial crossroads. There are large numbers of financial planners who do not value the role of universities and colleges as sources of research, theory, and training. This group tends to be those that do not have a college degree but have still been quite successful. In their thinking they did not need a degree to be successful, and as such, probably feel that contributing to a university is a waste of time and money. It appears that these planners are in charge of the profession at this moment in history. There is another group of planners who graduated from college, but with diverse undergraduate degrees – math, science, business, psychology, art, etc. These planners tend to hold a strong allegiance to their alma mater. This allegiance far outweighs their allegiance to the profession of financial planning. They will donate money and time to their alma mater even though their university or college does not offer or support financial planning as an academic discipline. That leaves the third group of planners – those that have graduated from financial planning programs. These planners tend to be young and not in a position to make sizable donations in support of financial planning programs.

As a result, it appears, from a university perspective, that financial planners are excited about the prospect of someone graduating with a financial planning degree, but these planners are not willing or able to support degree programs. This might be excusable if one thinks about a planner being a sole practitioner. The excuse falls apart when applied to the nation's largest planning firms however. Universities are charged with a mission of training individuals to lead productive lives. However, some large planning firms seem to believe that programs are really their primary feeding ground for new recruits. Unfortunately, these firms see students as the product rather than the educational process as the product. If this perception is false, one might ask, then where is the financial support in terms of student scholarships, research grants, and faculty endowments one would expect to see from similar firms operating in different industries?⁷

If a significant change does not occur soon it is entirely possible that the number of financial planning programs at universities will decline. A decline in the number, size, and quality of programs will have a devastating impact on financial planning's attempt to move from a vocation to profession. There are steps that can be taken right now to improve the situation. Each step will require cooperation between and among practitioners, firms, industry

associations, and university faculty. A model exists for bringing these groups together (e.g., accounting, finance, engineering, etc.), but the process will require leadership to pull it off. Here is what is needed now:

1. Professionals, be they individuals or firms, must support financial planning programs financially. This means contributing to a university that may be different from one's alma mater, or beginning contributions even if one does not have a college degree.
 - a. Help fund an endowed professor position
 - b. Fund research that will help build a theoretical basis for the profession
 - c. Fund student scholarships
 - d. Fund faculty fellows and visiting scholars
2. Work diligently to support journals that publish financial planning research
 - a. Submit papers
 - b. Publish even if it means not receiving 'credit' for tenure and promotion
 - c. Purchase library subscriptions
 - d. Work with faculty to increase indexing opportunities
3. Develop an accreditation process for academic programs

The financial planning profession deserves to have strong and growing academic programs. First, academic programs lead to professionalism by maintaining training standards. Second, academic programs generate research that can be used by practitioners and policy makers when working on ways to prepare Americans for their financial future. Third, academic programs support the ethical standards of the profession. Without financial planning programs in universities and colleges financial planning will never move beyond a vocation, and that would be sad thing for both practitioners and consumers.

¹ This section within the article is based on work presented in "A Case Approach to Financial Planning: Writing a Financial Plan," written by John Grable, Ruth Lytton, and Derek Klock. The book is available through National Underwriter.

² Refer to the ethics chapter in *A Case Approach to Financial Planning: Writing a Financial Plan*.

³ Wagner, R. B. (2003). To think ... like a CFP®. *Journal of Financial Planning*, available at: www.fpanet.org/member/practice_center/services/tothinklikeacfp.cfm

⁴ The financial planning program at Virginia Tech, perennially ranked in the top ten of such programs, was recently closed as a result of priority changes that are sweeping across the academic landscape.

⁵ Exceptions include CFP Board funding of graduate studies at Texas Tech University, collegiate financial planning competitions funded by Amerprise Financial Inc., and small grants from companies to specific university programs (e.g., Lincoln Life to Ohio State University).

⁶ The *Journal of Personal Finance* is, however, indexed by Corbel's and ProQuest.

⁷ Certain local financial planning associations sometimes combine resources to help fund one or two small academic scholarships at specific universities, but there are few, if any, full-ride nationally competitive scholarships funded by organizations, associations, or industry.

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