



Understanding the Education Credentials of a Financial Advisor

People are often surprised to learn that the educational requirements to become a Financial Advisor vary considerably.

Unlike a BC Notary, where uniform educational standards exist, the financial services industry is fragmented. It consists of a number of associations, organizations, self-regulating bodies, and educational providers.

The result is that Financial Advisor is a loosely used term that can describe:

- the person who sold you a mutual fund at your local bank;
- the insurance agent who sold you a life insurance policy or investment product through an insurance company;
- the Investment Advisor who sold you some stocks; or
- the Investment counsel who is managing your portfolio.

Given the enormous responsibility with which Financial Advisors are faced, one would assume the level of formal training is pretty consistent from one advisor to the next.

Not so. Credentials, educational training, and designations vary considerably. For example, to obtain the licence required to sell mutual funds, an individual must complete only *one* of the following courses:

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1. the Canadian Investment Funds Course, through the Investment Funds Institute of Canada;
2. the Investment Funds in Canada Course, through the Institute of Canadian Bankers; or
3. the Canadian Securities Course, through the Canadian Securities Institute.

The level of difficulty of each of the above courses is comparable to a first-year university course; a course can be completed in a few weeks.

On the other end of the spectrum are advanced designations such as the CFP (Certified Financial Planner), CLU

(Chartered Life Underwriter), FMA (Financial Management Advisor), and the CFA (Chartered Financial Analyst).

Each of those designations focuses on a particular area. The FMA and CFP Advisor focuses on financial planning, the CLU concentrates on life and health insurance, and the CFA emphasizes stock analysis and portfolio management.

Completion of the curriculum leading to any one of these designations can take anywhere from one to four years. The CFP, for example, requires completion of a comprehensive educational program accredited by the Financial Planners Standards Council. Completion of the program is followed by a vigorous six-hour CFP national examination. On average, the pass rate for the nationwide exam is 55 percent.

Of the estimated 100,000 individuals licensed to sell financial products in Canada, only a small proportion have so far completed the educational requirements to hold the professional CFP or CLU designation.

Investors need to understand there is a big difference between someone who is licensed to sell investment products and someone who is licensed and qualified to provide investment and financial advice.

