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by Bob Veres

The Core Principle

Just about a week ago, I participated in a panel discussion at the FPA of Dallas/Ft. Worth's annual career day--which, by the way, is a terrific idea that other chapters ought to find out more about ASAP. Two of the panelists--me and Mike Haubrich of Racine, WI--were the grizzled, fossilized veterans hailing back to the Cro-Magnon era of the profession, recalling in rambling, pointless reveries how real planners used to create their investment projections using crude flint tools, and how important it was for the broker-dealer to provide exceptional due diligence on limited partnership investments. The other three panelists were bright-eyed recent graduates of financial planning programs at nearby universities, all women, all working on the staff of respected Dallas-area firms, all charming in their lack of confidence about their experience and capabilities.

The interesting thing about the younger panelists, to me, was the fact that, despite experience levels that can still be measured in hours, they are already professionals as I define the term. While they talked about their staff duties to the college students in the room, they also said, each in a different way, that what they were doing was important because it was having an impact on the lives of real people, real clients. Therefore, it wasn't acceptable to do "B"-level work, as it is in the classroom. People, real people in real settings, deserve the best you have to offer, and the consequences of letting them down is, somehow, a diminished or mis-advised life--which these younger planners regarded as, by definition, unacceptable.

I found myself nodding at everything they said. As young as they were, as naive and unconfident as they were about their level of experience, they had totally mastered the most important thing: that what they did mattered, that it was more than just a commercial transaction. This, of course, is the bright core that shines into and through all the debates about fiduciary standards and codes of conduct and practice standards. What we hope to achieve, some day, is a profession-wide recognition that financial planning work and investment advice are, in a real sense, a sacred duty insofar as they can have a powerful and positive (or, done badly, negative) impact on peoples' lives.

Phrased in this way, you would think there would be broad agreement on these points; that the three new college graduates would be normal members of our profession. But look around you, and you realize how far we are from living in that world. The wirehouse organizations [brokerage firms and broker/dealers] have stubbornly resisted fiduciary standards, embraced conflicts of interest in their business model, and have created an environment where providing investment and financial advice is a commercial, transactive enterprise, a little like selling shoes, only at a higher markup. The quality of advice given by the broker might matter to the broker and client, but to the wirehouse organization, it's a commodity that is sold by the barrel.

The CFP Board, meanwhile, has endlessly waffled on how, exactly, to codify this idea that planning advice matters in a fundamental and important way, and therefore that advice should always be of the highest quality. I had a conversation with a member of the CFP Board of Governors not long ago, and asked pointedly whether there weren't a few too many compromises in the proposed Code of Conduct. The answer was not reassuring; it went something like: *Well, yeah, you and I can agree in principle that planning advice is really kind of important, but there are business realities we have to consider here, and a lot of CFP certificants don't want to be held to those legal standards.* [fiduciary]

All of us--writers as well as planners--are professionals to the extent that what we do is held to much higher standards than a simple commercial transaction. Right now, all of us--writers as well as planners--have to hold ourselves to these higher standards on our own, because nobody out there seems particularly interested in doing it for us. This, I think, is the missing ingredient in all the debates over regulatory initiatives, fiduciary and practice standards or codes of conduct: recognizing that the work we're talking about impacts peoples' lives, and the quality of peoples' lives is, in the final analysis, the most important thing we have on this lonely and troubled planet. If we can't talk about that, and make it the center of every regulatory discussion, then we don't have a clear idea of what it means to be a professional.