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Goodbye Mr. Chips

Canada's two financial planning associations are talking merger.

I'm going to tell you one of my favourite financial planner stories.

About four years ago, I met a young guy who'd decided to pursue a career in financial planning. I was interviewing him for a story on professional designations in the industry, and a remarkable turf war that had broken out over continuing education. He represented a typical newcomer to the business—someone genuinely intent on getting the right schooling.

Or so I thought. I asked him (the name Mr. Chips fits nicely, for reasons that will be clear shortly) why he wanted to be a financial planner. He explained that he was "an entrepreneur at heart." He'd spent the previous summer operating—get ready for it—a chip wagon in downtown Toronto, but didn't earn enough to keep him interested in the french fry industry. Financial planning, he explained, seemed a business better suited to his free spirit.

It is no wonder defined contribution (DC) plan sponsors are nervous about financial planning as an employee benefit. Certainly there were more Mr. Chips around during the equities boom of the late 1990s than there are today. But it is an overstatement to say the business has completely rid itself of his like.

So it is good to hear that the country's two major financial planning trade groups—the Canadian Association of Financial Planners and the Canadian Association of Insurance and Financial Advisors—have produced an "in-depth proposal" for a merger. Their hope is to create the Canadian Association of Financial Planners and Advisors (CAFPA) in January.

This is important because a merger will help clients identify trustworthy, competent professionals in the field. Currently, an alphabet soup of professional designations burdens the industry. You can meet with a certified financial planner, registered financial planner or personal financial planner, and each will have a different education.

CAFPA represents an opportunity to create an easy-to-spot seal of approval. By hiring one of its members, you would know for sure that the professional does 30 or more hours a year of continuing education, has at least one of the recognized professional designations and carries errors and omissions insurance. The group also requires that financial planners follow an established six-step planning process.

The deal looks like it will get done. If it does, and the CAFPA people are able to sign up everyone from the previous two organizations, it will boast roughly 18,000 members.

For the time being, DC plan sponsors are right to be wary of the financial planning profession. But they can take this news as a positive sign. It tells us the industry is focused on client relations, as well as former chip wagoneers.

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