

A Concise History of the Financial Planning Profession

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BEING A MEMBER of a profession means having a shared understanding of who we serve and how we serve them, as well as the standards to which we hold ourselves when practicing our craft. It should also include a shared understanding of our history; where we came from and how we evolved to look the way we do. Those first elements are well covered by academic programs and continuing professional education, but a shared sense of history fades unless periodically refreshed. It feels like the time for a refresh has arrived, and so I'm taking this opportunity to offer a concise history of the financial planning profession as I understand it.

One further note before proceeding: in the following pages I focus primarily on the institutions that gave rise to, or



The *Journal of the Institute of Certified Financial Planners* published its first issue in 1979. It later became the *Journal of Financial Planning*.

arose from, the emerging financial planning profession, rather than a history of the theory and practice of financial planning itself. That will perhaps be the focus of a future contribution.

Institutional Framework

If we're talking about financial planning as a concept and a body of knowledge, you could do worse than choose an origin date of 1862, which saw the passage of the Morrill Act and the rise of land grant universities, something I'll say more about later.

However, if we're talking about the professional practice of financial planning as we generally know it today, there's near universal agreement that our birth year was 1969. On December 12 of that year, Loren Dunton convened a meeting of 13 financial service industry leaders at a hotel near Chicago's O'Hare airport to discuss the creation of a new profession. Out of that meeting came the Society for Financial Counseling, an umbrella organization for a membership association that would eventually be called the International Association for Financial Planning (IAFP), and an educational arm that would eventually be named the College for Financial Planning. In 1971, the College created a five-course curriculum leading to the CFP® designation, graduating its first class in 1973. That first graduating class, in turn, formed the Institute of Certified Financial Planners (ICFP) as something of an alumni association. With the creation of these three entities—IAFP, ICFP, and the College—the institutional foundation had been laid for most of the major developments that followed.

From the standpoint of membership associations, we can round out our picture of the early landscape by noting the formation a decade later of the National

Association of Personal Financial Advisors (NAPFA) in 1983. NAPFA's mission and purpose was, from the beginning, to support and promote the delivery of fee-only financial planning advice. While always the smallest among financial planning groups by membership, NAPFA has nonetheless managed to wield an outsized influence in the public realm.

To better support and grow the young profession's body of knowledge, in late 1978 the ICFP founded a new journal, the *Journal of the Institute of Certified Financial Planners*, publishing the first issue in 1979. The *Journal* grew and evolved, eventually becoming the *Journal of Financial Planning* that you now hold in your hands. From the beginning, the *Journal's* goal was to present a mix of peer-reviewed articles and topical columns that were aimed at the needs and interests of a practitioner audience. The *Journal* archives contain a rich history of academic and practitioner contributions that chart the evolution of our body of knowledge over the intervening years. The entirety of that nearly 40-year history of financial planning theory and practice is available in the archives found on the *Journal's* website (FPAJournal.org) and should be any practitioner's first stop when researching questions related to advising clients or running a practice.

The IAFP and ICFP pursued divergent paths during the late 1970s and through the 1980s, with the ICFP focusing solely on the interests of CFP® professionals and the promotion of the CFP® marks with the public, the media, regulators, and legislators; and the IAFP focusing more broadly on all of the players in the financial services industry who might have an interest in financial planning or financial planners. The IAFP also focused more on the process of financial planning and was "designation neutral" with respect to the qualifications a practicing financial planner should hold. While many CFP® professionals belonged to both organizations, an attitude of

competition emerged that would persist until the eventual merger of the two organizations in the year 2000, something I'll discuss in more detail later.

Meanwhile, the other major institutional player that had arisen from that fateful meeting in Chicago, the College for Financial Planning, continued to grow the number of CFP® professionals, surpassing 10,000 by the mid-1980s. In 1980, the College sued Adelphi University for granting CFP® marks to graduates of its financial planning certificate program. Although the College held a service mark and trademark on the CFP® and Certified Financial Planner marks, respectively, the outcome of the trial was considered far from certain. Facing the possibility of a loss that would throw the integrity of the marks into question, the College's

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then-president, Bill Anthes, decided to negotiate an out-of-court settlement that had wide-reaching implications for the marks and the profession.

Anthes proposed the creation of an independent standard-setting body that would take control of the marks, giving rise to the International Board of Standards and Practices for Certified Financial Planners (IBCFP), later renamed Certified Financial Planner Board of Standards or, more commonly, CFP Board. In July 1985, as a consequence of negotiations between the College, the IBCFP, and the ICFP, the new standard-setter came into existence and assumed control of the marks. The ICFP was a signatory to these creation

documents as a consequence of the rights it had previously been granted to use CFP® and Certified Financial Planner in the association's name. Dan Parks, J.D., CFP®, then-president of ICFP, negotiated on behalf of the Institute while attending the group's 1985 retreat on the University of California, Santa Cruz campus. Parks was assisted by ICFP's then-chair, P. Kemp Fain Jr. (it's worth noting that the highest honor bestowed by FPA, the P. Kemp Fain Jr. Award, is named for this pioneering leader who later served as chair of the IBCFP's board of governors). Fain is notable for his white paper, "One Profession, One Designation," in which he made a powerful case for building the financial planning profession around a single mark of competence and ethics—the CFP® mark.

In addition to transferring ownership of the CFP® and Certified Financial Planner marks, the College invested \$2.5 million to fund the creation and initial operations of the IBCFP. This visionary move by Anthes laid the foundation for the global CFP® standard we know today. For this and many other contributions to the profession, Bill Anthes was honored with the P. Kemp Fain Jr. Award in 2002.

The creation of the IBCFP had a galvanizing effect on the College, resulting in the creation of a new umbrella entity, the National Endowment for Financial Education (NEFE) that held the College, a newly accredited master's program, and a series of "institutes" devoted to financial research. In 1997, NEFE sold the College for Financial Planning to the Apollo Group and became a non-profit foundation dedicated to educating consumers about personal finance, especially those whose needs are not being met by others. NEFE is still active today and notable, among many other initiatives, for its high school financial planning program, which can be co-taught by classroom teachers and practicing financial planners.

Meanwhile, starting in the late 1990s, CFP Board worked to promote the CFP® standard worldwide by sublicensing the right to use the marks to standard-setting bodies in other countries. This process eventually led to the creation of the Financial Planning Standards Board (FPSB) in 2004 and the transfer of the rights to the Certified Financial Planner and CFP® marks outside the U.S. to this new standard-setter. FPSB now has 26 member organizations around the world that certify more than 161,000 individuals as CFP® professionals.

Financial Planning Education

As mentioned previously, one can trace financial planning education to 1862 and the passage of the Land-Grant College Act of 1862, or Morrill Act. Land grant universities were intended to foster advances in agriculture and industrial arts in order to bolster the economic vitality of the nation. One of the departments that developed in the late 19th century was home economics, first aimed at providing instruction in the economic management of the farm household, but later expanded to include the economic management of any private household. From the earliest days, the field encompassed a wide range of social and technical topics, including nutrition and food science, personal finance, family household management, and consumer behavior. Home economics is now more generally known as “family and consumer science,” or less frequently, “human ecology.” Many university financial planning programs today that are registered with CFP Board arose from this source, shifting their focus in the 1980s toward educating professional advisers rather than “home economists.”

The first undergraduate financial planning degree program aimed at educating professional advisers, a bachelor’s degree in financial and estate planning, was created by Robert Bohn at Brigham Young University. This was followed in

1980 by graduate programs at Golden Gate University (master’s in financial planning) and San Diego State University (master’s in financial services). Throughout the 1980s, more programs arose in business schools and family and consumer sciences departments, and by 1987, the IBCFP could report that 20 universities across 14 states had registered their programs with the IBCFP.

On the membership side, Bob Bohn, by then at Golden Gate University, San

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Diego State’s Tom Warschauer, and Baylor University’s Tom Potts in 1984 founded the Academy of Financial Services (AFS) as a membership association serving the needs of academics teaching in financial planning programs. It’s worth noting that Tom Warschauer, the *Journal’s* first academic editor, is one-half of the namesake for the *Journal’s* annual Montgomery-Warschauer award for original research in financial planning, while Tom Potts served both as chair of CFP Board and national president of FPA. AFS later launched a professional journal, *Financial Services Review*, as a destination for academic research on financial planning and financial planning education. Through an ongoing partnership between FPA and AFS, digital editions of *Financial Services Review* are available free to FPA members.

Pro Bono Financial Planning, the Hallmark of a True Profession

Before going any further, one more important institutional player within

the financial planning profession must be mentioned. In 1995, the IAFP reactivated a long dormant non-profit entity and christened it the Foundation for Financial Planning. While the Foundation began with a broad mission related to financial planning and personal finance, its mandate has evolved and it is now focused exclusively on supporting the delivery of pro bono financial planning services to those in need.

As a consequence of commitments by both large financial services firms and individual practitioners, the Foundation’s endowment has today grown to \$20 million. To date, the Foundation has made grants totaling nearly \$6 million supporting pro bono initiatives ranging from help for the families of veterans to Financial Planning Days, where the public can receive free financial planning advice. And although the Foundation is independent of FPA, an innovative partnership has resulted in the Foundation managing the pro bono activities of FPA’s 91 chapters, nearly all of which have ongoing initiatives to mobilize member energy toward helping those in need. A commitment to giving back through pro bono service is surely the hallmark of any true profession, and the Foundation is an essential player in mobilizing, managing, and financing the pro bono efforts of those caring practitioners who give their time and energy toward this noble cause.

Merger, Focus, and Cooperation

In 1997, the IAFP board of directors made what would prove to be a momentous decision when they officially dropped “designation neutrality” and adopted the official position that those who hold themselves out as financial planners should be CFP® professionals. That fall, Peggy Ruhlin, then-president of IAFP, met with the ICFP board of directors, described the IAFP’s new position, and suggested the two organizations explore the possibility

of a merger, something that had been unsuccessfully attempted a decade earlier. A working group was formed and, in an echo of those fateful meetings in 1969 that originally gave rise to the two organizations, a series of meetings began at Chicago's O'Hare Hilton. As a result, the two organizations decided that a merger to "unify the voice, focus, and resources of the financial planning community, bringing together those who champion the financial planning process" made sense. A subsequent vote by the ICFP membership endorsed this decision, and on January 1, 2000, ICFP and IAFP became FPA.

This was a critical, if never inevitable, development for the profession—one that combined two organizations possessing unique strengths and perspectives. The IAFP had always been focused on the financial planning *process* and its power to transform lives for the better. But that power is only fully realized when financial planning is practiced by competent, ethical advisers. This is where the ICFP's long and exclusive focus on supporting and promoting the CFP® standard and the professionals who embrace it came into play. With that dual focus, FPA emerged with the primary aim of being "the community that fosters the value of financial planning, and advances the practice and profession of financial planning," with the further objective to "advance awareness of the characteristics of professional financial planners and support the standards of the CFP® certification in order to serve the public."

FPA at that time housed a broker-dealer division, originally part of the IAFP, which was comprised of firms that supported independent registered representatives, many of whom were (and still are) members of FPA. In early 2003, members of the broker-dealer division, finding themselves overwhelmed by emerging changes in the regulatory landscape, asked FPA to take up advocacy efforts on their behalf in

Washington, D.C. Until this time, FPA's advocacy initiatives had been directed exclusively toward issues related to the financial planning profession in general and CFP® professionals in particular. Taking up the request at its board retreat, the board affirmed that FPA existed to be "the community that fosters the value of financial planning and advances the financial planning profession," which implied an exclusive focus on the financial planning

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profession and the needs of CFP® professionals. To divide FPA's focus, it was felt, would undermine the message and the mission. The board, however, also felt that it would be inconsistent with its commitment to the core values of integrity and relationships to keep the broker-dealer division within FPA if it could not meet the urgent needs of its B-D members, nor would it be congruent with those values to merely dissolve the division and set its members adrift. And so, FPA facilitated the formation of the Financial Services Institute (FSI), devoting financial resources to its creation and initial operations.

A few years later, on December 9, 2008, the three major players in the field of financial planning, FPA, CFP Board, and NAPFA, came together to form the Financial Planning Coalition. The Coalition's mission is to individually and collectively support policy initiatives to ensure that financial planners are held to a fiduciary standard and regulated to the standard of competence and ethics represented by the CFP®

marks. As of this writing, the Coalition's most recent focus has been directed toward supporting the Department of Labor's final fiduciary rule and encouraging the SEC to promulgate a fiduciary standard for broker-dealers.

Among emerging initiatives, meanwhile, CFP Board's newly created Center for Financial Planning aims to be an umbrella organization for programs related to the career pipeline and diversity, and as a home for academics teaching in financial planning programs. The Center also plans to launch an academic journal devoted to research in financial planning.

Which brings us to the present.

Help Write the Next Chapter

Financial planning pioneer Ben Coombs once observed that our profession, if you thought of it as a painting, still had a lot of white space left, even after nearly half a century of development, leaving ample room for future generations to make their mark. In that spirit, it is my hope that those of you reading this short history will help to write the profession's next chapter. How? By leaning in and engaging with your professional community.

Attend a chapter meeting, go to a conference, speak at a conference, form a study group. Better still, volunteer with your FPA local chapter or join a national workgroup, whether sponsored by FPA, NAPFA, AFS, or CFP Board. Research a question of interest and submit your paper to the *Journal* or to *Financial Services Review*. Teach a class, take a class, be a guest lecturer, mentor a student. And if you're already doing any or all of the above, keep it up and encourage others to join you.

All of these and similar commitments are what mold and advance this amazing profession of financial planning. I look forward to seeing your name, dear reader, in some future iteration of this concise history. ■