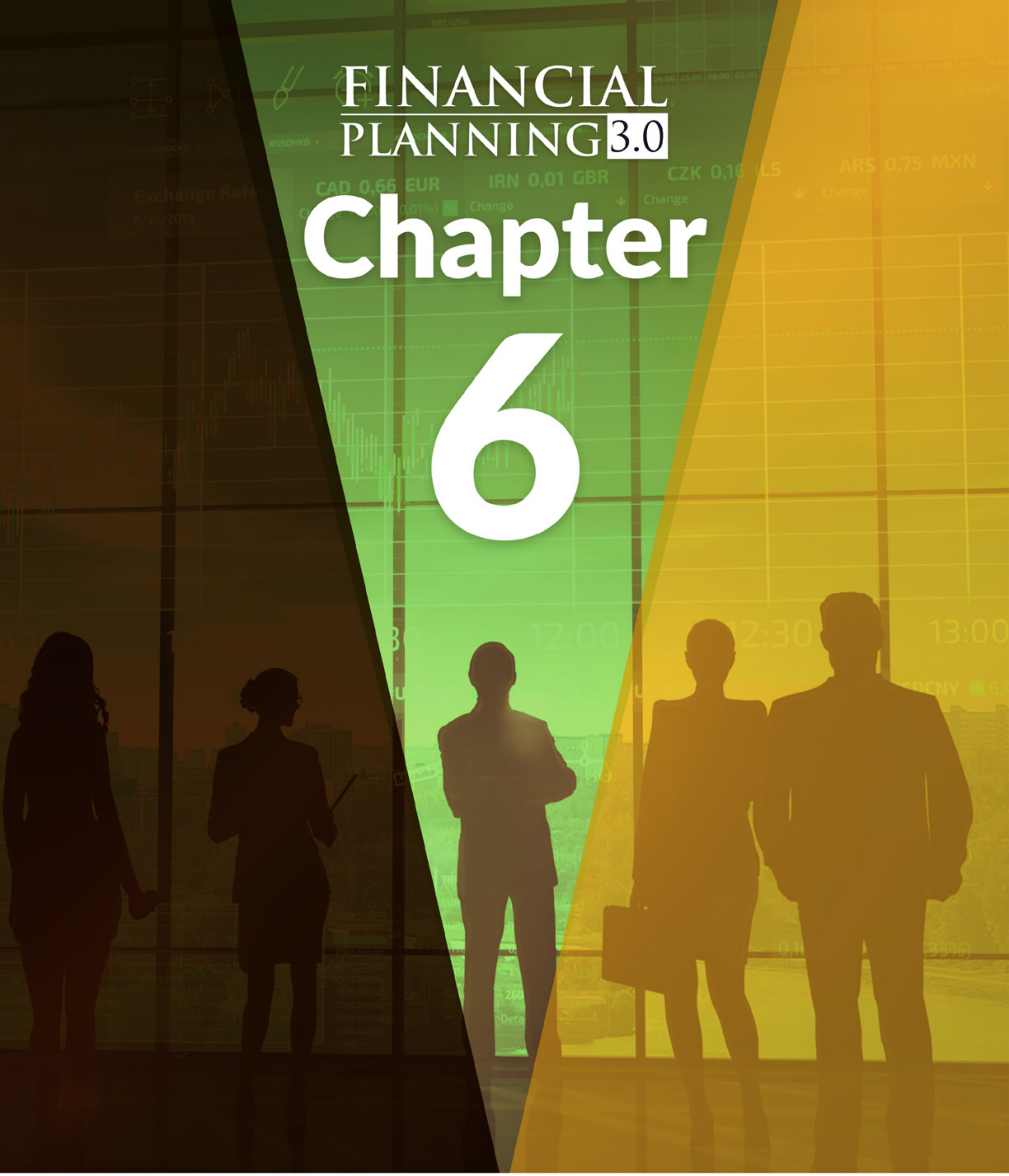
FINANCIAL PLANNING 3.0

Chapter 6



A collaboration Between

WHAT IS FINOLOGY?
CULTIVATING THE FIELDS OF MONEY

INSTITUTE FOR THE FIDUCIARY STANDARD

Featuring the work of
RICHARD B WAGNER JD, CFP®

Testimonials

No one ever did a better job than Dick at teasing out the difference between the financial services industry and the Financial Planning profession and then putting it all in a compelling historical and practical context. If Financial Planning is to realize its full potential as the essential profession of the 21stcentury, we would do well to embrace Dick's vision and accept the responsibility that goes with the awesome power of Financial Planning done right.

David Yeske, Ph.D, CFP®

Dick artfully articulates the purpose and promise of our "authentic profession", and challenges us to find the courage and clarity to resolve the tensions to become who we are. I get fired up, a little angry and also very hopeful each time I read this chapter. The book is required reading in my graduate course and I would suggest, should be required reading for all financial planners, particularly those in leadership.

Elizabeth Jetton, M.Ed., CFP®

"While many have fought for financial planning to become a recognized profession, Dick Wagner went beyond and advocated for its very soul. He taught us to think like professionals – to think like a CFP – and to understand what it means to uphold the sacred duty of financial advice for clients."

Michael E. Kitces, MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL

A couple of years before Dick passed away, I was able to spend an hour talking with him at a conference we were both speaking at, concerning our emerging profession. I have to say, in all my life, that was the best and most informative one hour I have spent ever, with anyone. Dick was a true genius.

Ron Rhoades, J.D., CFP®

INSTITUTE FOR
THE FIDUCIARY STANDARD

Visit thefiduciaryinstitute.org to learn more

WHAT IS FINOLOGY?
CULTIVATING THE FIELDS OF MONEY

Visit whatisfinology.org to learn more

All Rights Reserved by original authors and publishers

Who Was Richard Wagner

Financial and Life Planning Visionary

INTRODUCTION

Richard Wagner passed in March 2017 and left an indelible mark on financial planning.

Journalist Evan Simonoff wrote:

> *In over 30 years, Wagner, George Kinder, Roy Diliberto and a small group of other advisors conceived the financial life planning movement and expanded the frontiers of an emerging profession. During that period, financial life planning was transformed from an esoteric aspect of what advisors did into the mainstream.*

An attorney who entered the advisory business seeking a more fulfilling vocation, Wagner was among a handful of financial advisors who bridged the gap between the first generation of idealistic planners and played a major role in its evolution as a true profession. He also became a mentor to many younger advisors seeking to broaden their service offerings and develop more consequential, meaningful client relationships.

Wagner wrote and spoke for decades on the vital role and promise of financial planning, and life planning and our relationship with value exchange, which he dubbed "Finology."

In his 2016 book, Financial Planning 3.0 he describes the journey of financial planning since its founding in 1969. Wagner explains why financial planning can become "The most important authentic profession of the 21st century."

The key to becoming a profession? If "We can sever our dependencies on Industry."

> *Simply put if clients come first we cannot as fiduciaries serve non-clients first ....*
>
> *Manufacturing, sales and advice are all honorable undertakings but they ought not be mixed. Farmers grow food for grocers to sell to chefs who serve their patrons. The patrons get the best of each but their roles are clear."*

The tension and conflicts are created when the roles of advice and sales become one.

> *This has been placed squarely on our backs as a conflict-of-interest issue. Those both advising and selling have been challenged with some tough questions. How can you serve two masters? Which hat are you wearing? When are you wearing it? ...*

Further Wagner warns, "Industry is increasingly aggressive ... to position itself in an advisory capacity.... to brand Industry as advisor and planner. It is not true."

He is blunt about the larger threat of not keeping Industry separate from the profession, "Our profession's interests are not aligned with Industry's concerns. ... We must protest Industry's attempts to encroach on our profession's turf."

The implicit point: a profession cannot co-exist with an encroaching Industry that mixes and conflates sales with advice. This is a powerful warning.

Wagner writes with authority and excitement about the future of financial and life planning. He notes the high aspirations and broad knowledge of younger planners taking on leadership roles.

The fiduciary principles of loyalty and care and -- the need to avoid conflicts -- are deeply embedded in Wagner's writing. Financial Planning 3.0 is an essential reference for any new planner and advisor. Chapter 6 describes the key challenge to realizing a profession; i.e: the urgency to keep Industry separate and distinct in law and investor minds.

Dick Wagner's unique contribution is describing in plain language why separating sales from advice and Industry from the profession is essential. The Institute is proud to help advance greater understanding of his important vision.

Knut A Rostad
President
Institute for the Fiduciary Standard
September 2021

“No thinking man can believe that an economy built upon a business foundation... can permanently endure without some loyalty to that (fiduciary) principle.”

Justice Harlan Fiske Stone
Harvard Law Review, 1934

What is the Institute for the Fiduciary Standard?

Fiduciary Thought Leaders

Friends,

The Institute for the Fiduciary Institute formed in 2011 to advance fiduciary principles through research, education and advocacy. In 2021 the Institute remains the *only* non-profit dedicated solely to advancing fiduciary fee-only advice and planning that serves investors best interests first.

The Institute's Real Fiduciary™ Practices represent the most rigorous conduct standards in the field. *Fiduciary Common Sense* is for investors and explains fiduciary in plain language. The Institute speaks and writes for investors, advisors, policymakers, regulators, and journalists.

Respected industry figures have supported our efforts. In 2012 Former SEC Chair Arthur Levitt and Paul Volcker co-chaired an event at the Museum of American Finance, to honor Vanguard founder, John C. Bogle. [1] Luminaries Sheila Bair, Alan Blinder, Daniel Kahneman, Tamar Frankel and others signed a declaration to urge Washington policymakers to extend fiduciary duties.

Since then the Institute established the Frankel Fiduciary Prize [2], and Fiduciary September [3], We wrote the Institute's Real Fiduciary™ Practices [4]. and Fiduciary Common Sense. [5] and white papers. [6] We comment on SEC, DOL and state rules. 2020 programs were our most robust, despite Covid. [7] Former

SEC Commissioner Luis Aguilar, former DOL Assistant Secretary, Phyllis Borzi, former CFTC Chair, Brooksley Born, and Law Professor Emerita Tamar Frankel serve on the advisory board today.

The Institute is proud of its contributions to fiduciary principles this past decade and excited about how we can build on the accomplishments. We have our own brand category, offering education and conduct standards on fiduciary advice.

To learn more, visit www.thefiduciaryinstitute.org
or write the Institute at info@thefiduciaryinstitute.org

We look forward to hearing from you.

Knut A. Rostad
President

Foreword

By Rick Kahler MSFP, CHFC, CFP®, CFT-I™

Dick Wagner is to financial planning what Warren Buffet is to investing. Buffet, a Nebraska native, is arguably one of the greatest investors of all time. Because the investment community highly respects and closely follows his market commentary, he is sometimes referred to as the "Oracle of Omaha." Dick Wagner is not only a longtime financial planner in Colorado, but is one of the pioneers and thought leaders of personal financial planning. His visionary leadership and commentary are closely followed and highly respected by financial planners worldwide. For many years I have called him the "Oracle of Denver."

Dick's influence on financial planning is profound. He served as the President of the Institute of Certified Financial Planners and received the Financial Planning Association's (FPA) highest honor, the P. Kemp Fain, Jr. He was a co-founder of the Nazrudin Project, a leaderless brain trust of 100 of the more forward-thinking planners, therapists, and coaches in financial planning. From this group emerged many FPA presidents, as well as scores of influential books and white papers. For its size, Nazrudin has had a disproportionate and continuing impact on the financial planning profession. Dick also served on the founding board of the Financial Therapy Association. His keynote address at the group's first conference eloquently laid the foundation for this embryonic movement of blending psychology and financial planning.

I had the privilege of spending many weekends with Dick as a member of a small group of financial planning pioneers who were trying to make sense of this union of emotions and money. I often equated listening to Dick's visions of what could be to flying a commercial airliner at the absolute ceiling of 45,000 feet. While he was soaring, I would spend most of my time trying figure out if and where we could land the plane.

This book is the written embodiment of Dick's life work, the beloved passion he has carried for decades to see financial planning become a profession. He challenges financial planners to build, not just a profession, but an authentic profession. In his view, an authentic profession helps people manage intangible but essential functions, maintains a responsibility to put clients' interest first, and serves not only individuals but humanity and the greater good. In fact, he envisions financial planning as the most important 21st century profession because its focus is money, which affects everyone in all facets of our lives and which he calls "the most powerful and pervasive secular force on the planet."

Financial Planning 3.0 not only calls on financial planners to give their best to their clients and the profession, it challenges them to reconsider what financial planning means. Dick suggests a new term, "Finology," to describe our individual relationships with money, then goes on to present a curriculum for Finology as an academic major and professional field. I hope Dick's thought-provoking ideas stimulate a great deal of discussion among financial planners that helps lead us to the next level.

Anyone who has known Dick for more than a minute knows that he tells it like it is—with gusto, clarity, and passion. Most importantly, I know Dick Wagner as an immensely caring, passionate, wise, and conscientious soul. He has been one of my valued mentors, and it is a privilege to be included in this book.

Who Are We?

CHAPTER 6.0

Tenant farmers? Kept pets? Robots? Members of an authentic profession? What is our appropriate relationship with the financial services industry?

This question of identity is key. Its importance simply cannot be emphasized.

Claiming and Clarifying Our Turf

CHAPTER 6.1

Never fight turf on turf. Fight it on the basis of ideas.

Elliott Abrams

HISTORIC TENSIONS

The late Harold Gourges, CFP®, was one of my early heroes back in the day. Among his many insights into financial planning, he advocated for role clarity. He observed that the financial services world (among many others) required and supported three separate functions: advice, products manufacturing and sales. He counseled that we should make every effort to keep these functions separate or at least distinct. He suggested this would be our best approach for keeping matters clean and unconfused. One of my favorite quotes from a speech he gave in 1984 was, "When your surgeon does your physical, you end up with a lot of scars."

Historically, the conflict between functions is the tension between advice and sales. This has been placed squarely on our backs as a conflict-of-interest issue. Those both advising and selling have been challenged with some tough questions: How can you serve two masters? Which hat are you wearing? When are you wearing it? What is the difference between client and customer? What are the implications of the distinction?

The problem is as old as dirt; the bickering has been incessant. Though the resolution is imperfect, we seemed to have effectively resolved the issue with our profession's embrace of fiduciary status and obligation. Fully accepting our duties to put our clients' interests ahead of our own, we have declared the client's interests to be paramount. In the process, we make ourselves accountable to our clients at the highest levels possible.

Unfortunately, the advice/sales conundrum has taken another twist. Worse, it is no longer an intra-profession struggle but a direct conflict between industry and profession. Industry is increasingly aggressive in its attempts to position itself in an advisory capacity. More and more often, it portrays itself as the financial planner-not as the maker and purveyor of financial product. No longer is industry content to be a trustworthy and reliable manufacturer/seller but it also claims advisory turf as well.

PROBLEMS WITH FINANCIAL SERVICES INDUSTRIES

Make no mistake, our profession's interests are not aligned with industry's concerns. We want to build an authentic profession that occupies a legitimate seat alongside other authentic professions. Industry seeks commercial success through quality products and functional services. Nothing wrong with that, so long as it does not claim to do what our authentic profession does.

OH, THE INHUMANITY

We must protest industry's attempts to encroach on our profession's turf. Creating confusion between an authentic profession and private product manufacturers baffles, confuses and misleads the public. It furthers distrust and inaction while encouraging continued misunderstanding of good money habits. It is inappropriate.

Accordingly, the CFP® world ought to step up and claim its own-not just for its own self-interests but also for the integrity of the financial planning profession and for the public good.

As the court pronounced in the case Financial Planning Association v. SEC, financial institutions are simply not the same as advisors. We have separate, distinct and disparate duties, capacities and interests. While we ought to have close relationships to industry, we ought not allow ourselves to be confused with it. Our intrinsic loyalties are to the profession and to each other, not to the financial services industry.

Advisors cannot escape working with Industry. Our clients need its products. Moreover, industry employs and supports us in some forms of our work. This is where our functions intersect. We need to give our clients *access* to financial product; industry needs to *sell* it to them. Financial product is simultaneously a sales portal and a necessary aspect of our client service. However, industry ought to promote us, not confuse our clients, just as pharmaceutical companies promote physicians: Don't the ads always end with "Ask your doctor"? Industry manufactures; its salesmen sell; advisors serve. It is all in the attitude.

Some actions can only be taken by individuals. These are the ones that require a knowledgeable person's brains, judgment, wisdom and perspective. Individuals advise. Individuals plan. In stark contrast, institutions neither advise nor plan except through individuals. No branding campaign should suggest otherwise.

The companies in financial services are not human beings. They are Industry. They can only act as Industry acts. They are non-human entities. They may have legal status but possess no other human qualities. They are outside the class of those who can actively advise or plan. Obviously, they cannot become CFP® licensees.

Granted, these observations have high "duh" factors. Yet, their implications are not so banal. If we let Industry claim to be us with impunity, then who are we? Are we merely its extensions? Is financial planning still simply a great product delivery system? Or are we engaged in building an extraordinary, authentic profession? If we are an authentic personal service profession, we must brand our unique selling proposition; we must tell people who we are--and who we are not.

Unfortunately, industry keeps telling the world that its *institutions* are doing the listening, caring and understanding. They attempt to brand industry as "advisor" and "planner." It is not true.

INDUSTRY VERSUS INDIVIDUALS

The copywriter's craft notwithstanding, institutions cannot have a "one on one" relationship with anybody. As a practical matter, you cannot "talk to Chuck," not really. While I hear Mr. Schwab is a fine fellow, he is not the advisor here. Charles Schwab, the megafinancial institution, does an excellent job of providing various services, but it is not an advisor. "Chuck" does not refer to Mr. Schwab, the human, but to the successful company that bears his name. Cadres of individual professionals are serving the "Chuck" role. Unfortunately, they are not the ones being branded. "Chuck" may employ such people or have functional relationships with them. They ain't "Chuck."

Though Messrs. Smith and Barney were once flesh and blood, just like Messrs. Merrill and Lynch, Price, Waterhouse and Cooper, Morgan and Stanley, et al, their names have long since morphed into brick and mortar. Their humanity is but a distant memory.

Others started off with institutional names or changed them a while back. No matter. They are all industry. "UBS" or their ilk can talk about your life's important issues.

"Fidelity," "Lincoln," "Vanguard" and "the Principal" cannot have a chat with you or shake your hand. None of the three-lettered acronyms- "AIG," "UBS" or their ilk can talk about your life's important issues.

Macho actors notwithstanding, Ameriprise cannot dream out loud along with you about storming into your sixties and beyond. Industry makes, promotes and sells. It does not have authentic relationships and it never, ever laughs or cries. It does not advise or plan any more than hospitals serve as doctors or practice medicine. People do the doing.

GOAL: AUTHENTIC PROFESSION

This is a critical point. As competent business people, we all know that the one with the relationship wins. This is what we all want. This is value. This is the basis of practice valuations. Ultimately, we cannot give relationships away and succeed. I suggest that, ultimately, our equity, the practitioner's authentic wealth, is in the brand known as the financial planning profession and in our one-on-one relationships. This is the wealth that we carry with us independent of Industry interests.

Our wealth is not in the brands of our employers or the various securities supermarkets. Industry may envy our client relationships. It is still not us. It does not have that equity. We ought not to let it pretend otherwise without strong resistance.

This has some serious implications and challenges. Among them, it is time to claim our turf. We have needed to earn it, define it and plant new seeds in it. We have done that. As much as Industry might wish it otherwise, we are much more than its select sales force or its premier product-delivery systems. We have now fully emerged as a new, authentic profession with our own distinct imperatives and standards. Imitation may be a sincere form of flattery but it frequently bears startling similarities with the effective theft of intellectual property.

We ought not to quietly tolerate the confusion Industry generates trying to be us. Recognizing that our interests are not aligned with theirs, as professionals we must become our own advocates. These interests ought to be defined with respect to the profession's practitioners and separated from those of Industry.

Finally, it means we take responsibility for establishing our own standards and branding in service to the public's interests. This may mean cleaning up the confusion, defining our roles and helping the public make intelligent and informed decisions about who to hire based on specialized skills and learning within our profession--and not based on commercial brands generated by industry. This would include discrete specialties based on particular skill sets-not just based on the names of employers or even on a particular schools of training.

The proliferation of professional marks is a problem. At last count there were 200 some sets of initials polluting the miscellaneous business cards of folks calling themselves "financial planners ". Who could possibly keep them straight or understand which has value? Yet, if a set of initials does not communicate something special, what is the point? Unfortunately, most of them merit Shakespeare's damning observation from Macbeth as being full of sound and fury, signifying nothing. Baffling, mysterious acronyms help no one. Are we so testosterone deprived that we need to claim six or seven sets of obscure symbols as accomplishments?

Let's face it, the Cracker Jack-box approach just makes us all look like clowns or quacks even as it adds to public confusion and bewilderment. Meaningful to meaningless, even hard-earned licenses and certifications generate unfortunate confusion and misunderstanding.

Frankly, I suspect we would all be better off if we abandoned all initials other than our beloved "CFP®" marks and CFP Board-approved certifications.
I would cheerfully give up my use of "JD" as my contribution to the cause.

Medicine has board certifications. Law has some specialty marks. Neither group of professionals generally clutters its stationery or business cards with other extraneous information. Their specialists have gotten together to establish the uniform training and criteria for particular specialties and privileges. It may well be that financial planning would benefit from a similar approach.

This probably means we need to be about the business of identifying and developing some specialty aspects of financial planning. We especially need something addressing interior skills and training. We might possibly denote miscellaneous specialty subsets for major and complex transitions.

Right now, the elephant in the living room is "life planning." Good people with excellent motives run several quality programs. These are my very good friends and some of the finest folks on the planet. Nonetheless, in my opinion, they hurt their cause, their case and their markets when they compete against each other by asserting random designations. I suggest that a better approach would promote their programs while serving common cause, in a name such as "CFP Board Certified Life Planner." They, and we, would be better served by their combined efforts to commonly define minimum skills, necessary education and appropriate standards of care.

Reasonable people ought to be able to agree on common elements of required training. A quality life planning brand would provide protection to the public, enable accountability and establish minimum levels of competency, education and training. Like-minded folks could develop meaningful ethics while requiring appropriate levels of continuing education and experience. Moreover, this would enable thoughtful identification of appropriate skill sets, content and other elements that should be used in "life planning" engagements.

Perhaps, like mental health professionals, they would even commit to some sort of ongoing supervision.

It would be worthwhile to explore these.

CLAIMING AND CLARIFYING OUR TURF

In sum, we ought to resist industry's well-moneyed attempts to brand the advisory territory as its own. It is ours. Then we should look at our own branding issues, such as the fundamental clarity of financial marks and other problems inherent in their proliferation.

The nature and identity of the financial planning profession is ours to claim. However, it will be taken from us if we are not careful. It is time for financial planners to combat confusion and claim the turf as our own.

Financial Planning Association v SEC Now What?

CHAPTER 6.2

The essential purpose of [the Investment Advisors Act] ...[was] to protect the public from the frauds and misrepresentations of unscrupulous tipsters and touts and to safeguard the honest investment adviser against the stigma of the activities of these individuals by making fraudulent practices by investment advisers unlawful.

-H.R. Rep. No. 76-2639, at 28 (1940)

When the Financial Planning Association challenged the Securities and Exchange Commission in open court, David won--again. Goliath fell. Again. Let all the people rejoice.

Unfortunately, the victory remains open ended. The SEC and the broker-dealer community continue merrily on the path of blissfully ignoring the miscellaneous implications of the decision.

FACTS

Just to assure we are all on the same page: In 2004, our very own Financial Planning Association sued the Securities and Exchange Commission over whether the SEC could exempt registered representatives from Investment Advisers Act of 1940, effectively allowing them to be subject to a lower standard of care. Some thought it was an inappropriate venture for the FPA, a fool's errand.

Others thought it was out of its league. Nonetheless, FPA's fearless leaders had grown weary of watching wirehouse salesmen parade as personal financial advisors. While they could understand that the law legitimately exempted commission-generating stockbrokers, they thought charging advisory fees exceeded the limitations of "merely incidental."

The SEC had ruled that these brokers did not need to register as investment advisors. Taking exception on behalf of its core constituency, namely financial planners, aka *advisors*, the FPA claimed the Investment Advisers Act of 1940 applied to fee chargers. It asserted that advisory services were not "merely incidental" if they served as grounds for billings separate and apart from sales commissions. It argued that Congress intended for the 1940 Investment Advisers Act to apply to folks who claimed to be personal financial advisors, acted like personal financial advisors, charged and received fees like personal financial advisors and otherwise purported to function like personal financial advisors. If they presented themselves to the world as such and received compensation for it, they needed to register with the authorities and accept the duties that attended.

If not, then they needed to tell their clients that they were just salesmen and agents of the brokerage. In so doing, they should have disclosed that they were not members of an authentic profession. In other words, they had either to accept fiduciary responsibilities or tell their customers that they were actually salespeople who were not responsible for putting client interests first. Either way was fine. "Buyer beware" was not fine.

FPA stressed the unfairness and inappropriateness of expecting consumers of financial advice and products to tell the difference between someone selling whatever sells and someone with legitimately earned credentials who has stepped up to meet the requirements of law, proclaimed designation and a personal pledge to put the client first. The FPA reminded the court of the tens of thousands who have earned the rights to use the "Certified Financial Planner™" trademarks and made such commitments.

It focused on the CFP® requirements of education, experience, examination and, especially, ethics, for folks who serve as client-centered advisors professionally dedicated to putting their client's best interests ahead of their own.

The FPA said it was unfair for them to walk like advisors and talk like advisors while actually serving as mere sales reps whose primary obligations were to their brokerages. In other words, FPA maintained that the Investment Advisers Act of 1940 does not fee-based brokerage programs from their responsibilities for being who they say they are, for what they say, for doing the work they say they will do and for keeping their promises. In other words, the FPA contended, if you say you are a personal financial advisor, be a personal financial advisor.

Frankly, it should be simple enough. Register. Disclose. Keep your promises. Advise. Be accountable. It really does not seem that tough.

THE RULING -- AND WHAT TO DO WITH IT

In early April 2007, the U.S. Court of Appeals for the District of Columbia agreed. Two of three judges ruled that the SEC was wrong for exempting wirehouse sales personnel from the 1940 Act's requirements.

Yay good guys.

Now what? The thing is, like all victories, this one will pass quickly if we do not do some chewing and stewing. If the court's decision is to have its greatest meaning, we need to think about it and bring it into ourselves and our senses of who we are. It begs us to drill for meaning and answer that question.

If imitation is the most sincere form of flattery, we have to ask ourselves the question: Why do the salesmen want to look like authentic advisors? Who is it/what is it that they think we are that is worthy of impersonation? Why do they want to be like us?

I am strangely unsatisfied. As happy as this decision makes me, it forces that question again: "Now what?" Those nagging questions remain. Is this a beginning or an end? Now that we have it, what are we supposed to do with it? How ought we to regard it and use it? What does it say about us? What does it mean to our selfperception and notions of the financial planning profession and its purpose on the planet?

In this full flush of victory, how do we take it and make it ours? Now what?

ADVICE V. SALES

Why are we so happy about this? Is it about competitive advantage – "a level playing field?" That would be a bit silly. Without more, that will not last.

On the other hand, could it be that the real joy is in being seen for ourselves? In taking the case and ruling as it did, the court has proclaimed that our profession has arrived and stands for something. This message is strong. It says that the profession of financial *advice* is vital. It is a profession that serves the public and the public's interest. It should not be so hard to tell who is a member of this profession, even if it is hard to tell from first impressions alone. Those who would claim this stature must earn it. At the very least, they must stand up for accountability.

Let's make a couple of things clear. First, I have nothing against salespeople. The sales act is about great communication--listening, sharing and understanding, even persuading when it is right. Good sales folks make the world go around, and there are tens of thousands of great salespeople among the financial planning profession's best and brightest.

That said, "sales" means something different for members of an authentic profession. When we make a commitment to put our clients' interests first, we make the commitment to work on their behalf and not place sales quotas, employers' profitability or personal rewards above those interests. Of course, we all have to stay in business. However, members of an authentic profession tell the truth. We register and we disclose. We work at our craft to become better in order to serve our clients better. We develop our understandings to become better sources of wisdom and counsel. Most importantly, we know we hold positions of great responsibility with respect to our clients. We have the attitude of a fiduciary, and we treasure the trust our clients repose in us.

In contrast, we do not subscribe to an attitude that says, "If it sells, it must be good." We know the reason that something sells is because clients justifiably trust us in the contexts of their whole lives. We know we are working with the intimate, the tender and the vital. We know that violations of such trust must surely fall within the definition of sin even in these times of behavioral relativity.

I suggest this means turning inward, grasping the implications of the court's recognition of investment advisors, i.e., personal financial advisors, as more accountable and responsible and more prestigious than brokerage sales forces. I further suggest we should accept the court's implicit trust of personal financial advisors who do register, as required.

Moreover, this also means taking ourselves seriously as a unique profession unto us. We may be primary links between financial product manufacturers and individuals, but in so doing we are *advisors*, with our primary loyalties to our clients.

This court decision qualitatively separated financial planning professionals once and for all from the product manufacturers of the financial services industries.

Authentic financial planners are *per se* separate from the brokerage industries. We serve clients in the real world. Our responsibilities are to these clients and their financial health and well being. We are not merely product distributors.

FINANCIAL PLANNERS ARE SPECIAL

The court recognized the truth of our claims that we are special. As personal financial planners, we hold positions of special trust and confidence in the eyes of our clients and the world that are simply not reflected in retail brokerages--just as Congress anticipated when it passed the legislation in the first place. This begins to complete the vision of such leaders as the late Harold Gourges, who predicted the need to separate product manufacturing, sales and advice back in the mid'80's.

Make no mistake. This was a major victory. Notwithstanding current opposition, it elevated the integrity of the financial services industry while providing a major boost to the respect and esteem of bona fide financial planners. Most importantly, it assured who is on their side.

Our professional association took a wrong and made it right. It took a mission driven risk and announced to the world that authentic financial planners do not try to fool those who trust them. It declared who it was, then it declared who we are as folks who will fight for what is right. That is leadership.

Personally, I think the court was exceedingly kind to the brokerage world. Let's face it, the practical issues did not turn on the niceties of the words "solely incidental" or SEC rule-making authority, though these were the purported issues. The real issues started at the roots of an attempted deception whereby retail brokers were presenting themselves to the public as legitimate, client-centered life advisors. If I were prosecuting, I would aver that brokerages have been actively intending to confuse the public with claims of advisory legitimacy without lawful accountability.

They went out of their way to create the illusion that they were part of a profession that is rapidly becoming a learned profession. They wanted to look like folks whose members had worked hard and long over the past 40-odd years to build trust and accountability. They just did not want the legal duties that attend.

They wanted to look like us. They wanted the public to think they are like us. Who knows? Maybe many actually believed it themselves. In any event, the court told them in no uncertain terms to forget it; it was not going to work that way.

This, then, is about profession. It takes us right back to the notions of mission, function and purpose of the financial planning profession. Indeed, I suggest it is more even than trustworthiness, transparency, competency or rates of return. I suggest that it has to do with issues that emerge when we are dealing with matters that go to the heart of one's self-image and self-esteem, one's sense of security on the planet and one's beliefs about the world and the way it works.

On a lesser scale, I further suggest it has to do with the role of money in modern times. People want help with money. They want help with their money and how to relate it to their hopes, dreams and aspirations. Most assuredly they really want help with understanding money and the demands it places upon them. They want someone who knows them and can help them interface with this fearsome force that is money.

I believe this decision was a watershed event for the financial planning profession. It saw us for what we do and for ourselves. We are members of an authentic profession. We are special. Let all the world hear and heed.

Likelihood Of Confusion

CHAPTER 6.3

Brand: The name, term, design, symbol or any other feature that identifies one seller's product distinct from those of other sellers.

–American Marketing Association Dictionary

We all know that clear branding is important to the success of any commercial undertaking. The financial planning profession is no exception. Folks need to know what to expect. Otherwise, how can they trust us with some of the most important aspects of their lives? And if they cannot trust, how can we work together with conviction?

Unfortunately, financial planning has been unable to achieve such clarity.

Even with all the work that has gone into the CFP® marks and such constants as the "six-step process" and purported fidelity to the fiduciary standard, we still have an extraordinary amount of confusion and obfuscation. People do not know what they will ultimately get when they work with a self- financial planner—a product pitch or a professional engagement.

Heaven knows they can't trust themselves. CFP Board's "DJ" television ad proves that a smile, a suit and a haircut suffice to build confidence. Moreover, news sources tell us financial advisor frauds are regularly exposed. Combine these with the financial services salespeople's continued resistance to being labeled fiduciaries while cheerfully calling themselves "financial planners" and "advisors".

CREATION OF CONFUSION

This is our fault. Simply put, financial planning has failed to define its particular mission and purpose. Instead, we have encouraged confusion. To be specific, we have tolerated the fact that individuals with antithetical vocational callings consistently present themselves to the public as effectively fungible and interchangeable.

Let's start with the basics. What does a financial planner do? Are we salespeople or unique personal advisors? Are we individual fiduciary leaders of extraordinary significance in the modern era? Or are we some amalgam?
Or do we have a serious confusion factor?

I believe financial planners have a mission of working with individuals and families and their relationships with money and the fearsome forces that it generates. Others would contend this mission to be the sale and placement of miscellaneous financial products and services.

Do we really even grasp the distinctions? Are those of us who proudly earn and wear the CFP® marks entirely certain of our chosen profession's priorities? I suggest the issue is centered in our relationship with financial product sales: Is the first loyalty to the client, even when products are sold? Or is the first loyalty to sales? Which master is being served?

Consider this scenario: You go to a party with lots of strangers. One of your friends identifies an individual on the other side of the room as a "financial planner."

Now, think quickly. What is your instinctive response? Does your brain register, "Excellent! A colleague. Let's get ourselves introduced and anticipate a decent conversation for a change." Or do you think instead, "Uh-oh, a competitor.

I wonder if she's any good?" Or does your gut reflexively respond, "Yeah, sure. OK folks, better hold on to your wallets"?

Of course, we talk among ourselves as if the words "fiduciary" and "financial planner" should be functionally interchangeable. But let's be honest. What are your real life expectations when someone identifies him or herself as a "financial planner"? Do you suspect the stranger is more likely to be a colleague or a source of embarrassment?

Let me go first. Even though most of my favorite people on the planet are financial planners, my own initial reactions tend toward mistrusting the qualities of those I do not know personally. While I like to talk about an authentic profession, I still tend to withhold the benefits of even conditional acceptance until I learn more about them. My skepticism hardens if they are connected to a national company.

Your turn.

And why?

ADVISORS OR SALESPEOPLE?

I suggest it has mostly to do with the fact that we are in the middle of a muddle grounded in major confusion. Who are we? Are we advisors or salespeople? Will the real financial planner please stand up?

This is not merely an academic exercise. This is an issue that has bewildered me since I came into this mostly wonderful world of financial planning over 30 years ago. The unwonderful part is how nobody, including ourselves, quite knows what financial planners do or what this work is really about.

Of course, the profession started out squarely rooted in sales. No shame there. Financial planning obviously contains some great sales tools. But it is more.

Since its beginning, more and more practitioners have recognized its potential as a learned profession and have sought to elevate it.

It has gained footholds in colleges and universities and spread throughout the world. It has declared itself as unabashedly in the camps of fiduciaries and become effectively sophisticated in its controlling principles. We are starting to grasp its importance in the scheme of things. But the confusion remains and is not only tolerated but encouraged.

I remember the early days when my first manager declared to my recently recruited cohorts, "Financial planning is the greatest product delivery system ever created. If you do your data collection right, you will know everything of importance there is to know about the client. That knowledge should always lead to a "buy" decision. If you know that much about someone together with their most intimate priorities, you can overcome almost any objection."

He regularly regaled us with heroic tales of his successful closes. My favorite was when he bragged about getting the app by keeping his client up past midnight, too tired to resist. The next Monday he waved the signed document proudly at our regular sales meeting and declared, "If that is not financial planning, I don't know what is." He was half right, of course—it wasn't, and he didn't.

Another favorite memory was when the titular head of my first major broker-dealer referred to financial planners en masse. "After it is said and done, aren't we all just really in the sales business?" Wow.

CERTAINTY OF CONFUSION

As I have discussed previously, the financial services industry works overtime to create the impression that it is in the financial planning business in addition to its product manufacturing and sales functions. To counter, neither the CFP Board nor its coalition partners have yet to figure out how to effectively separate salespeople from advisors without gutting its rolls—an unacceptable act for many reasons.

The result is the sort of mishmash that fairly epitomizes "confusion." Indeed, we have moved from "likelihood of confusion" to a virtual "certainty of confusion."

Honestly, is this any way to run an authentic profession? I suggest that the financial planning profession has nothing more important to do than to resolve this inherent disorder.

Remember, this is why we have trademark law. There are several good, accessible essays on the relevant issues of trademark. For my own research, I googled "likelihood of confusion" and found excellent essays at Marklaw.com, Findlaw.com and, of course, Wikipedia. The upshot is that the entire body of trademark law is premised on the notion of avoiding confusion between products and services attempting to appeal to similar markets. Unfortunately, trademark law does not apply to occupations or vocational endeavors such as financial planning. For that we need something more—such as state licensure.

Remember, people cannot call themselves dentists, barbers or many other occupations without getting a license. Those terms are regulated through state law and generally premised on demonstrations of competency and legally established definitions. Unfortunately, it remains a sad truth that anyone can, with impunity, label herself a "financial planner."

It is fun to look into the word "confusion." As if to prove the point, a google search produces some 39,400,000 results. An AOL search yields 147,000,000. (Yes, that is "million" with an "M.") The clip art alone is worth the price of admission.

As if these circumstances weren't confusing enough, the problems are exacerbated within the CFP® world. The problems come with the complex interplay between advice and sales. By CFP Board policy, CFP® professionals must consider themselves to be fiduciary advisors to their clients. Indeed, the CFP® marks are so attractive because of our strong written and stated commitments for putting the clients' interests first.

Would that it were always thus. Let's face the ugly truth. Many licensees use the CFP® marks just for sales purposes in order to augment their apparent credentials. The problems come in several sticky gray areas. First, we have those whose employment circumstances require that their first loyalty is to their employer, namely the folks with whom they have an agency relationship. Next, we have those successors to my first manager who believe the most important function of a financial plan is to pound sales. They will look you square in the eye and tell you that they are "advisors" when they put together their financial plans but "buyer beware" salesmen when it comes to implementation. They take off one hat and put on another with nary a thought about conflict or confusion.

To be clear, I see nothing remotely wrong with sales as such. The problems come when the sales function is camouflaged by purported advisory functions that induce trust, confidence and reliance, namely the stuff of a fiduciary relationship.

In order to get specific with my terms, I went trolling at the Merriam-Webster store. I found some relevant definitions:

Salesperson
1. a person whose job is to sell things, or

Advisor
1. one who offers advice

Sell
1. give or hand over something in exchange for money

2. persuade someone of the merits of

Advice
1. guidance or recommendations concerning prudent future action, typically given by someone regarded as knowledgeable or authoritative

Advise
1. to give an opinion or suggestion to someone about what should be done: to give advice to someone

Confusion
1. disturbance of consciousness characterized by inability to engage in orderly thought or by lack of power to distinguish, choose or act decisively

Fiduciary
of, relating to, or involving a confidence or trust: as
a : held or founded in trust or confidence
b : holding in trust
c : depending on public confidence for value or currency <fiduciary fiat money>

"In law, a person in a position of authority whom the law obligates to act solely on behalf of the person he or she represents and in good faith. Examples of fiduciaries are agents, executors, trustees, guardians, and officers of corporations. Unlike people in ordinary business relationships, fiduciaries may not seek personal benefit from their transactions with those they represent."

This business of "fiduciary" is simply not that hard to grasp. If we ask for trust and confidence, we need to live it and earn it. This renders deception unacceptable, intolerable and beyond the pale. This doesn't mean we can't make money within the context of a financial planning relationship. It doesn't even mean we can't sell appropriate financial products, including market-justified commissions. It just means we have to work within the bounds of trust and confidence—for real—no hat dances permitted.

A reasonable test involves thinking of your mother. Would you want her to know how you have treated your client? Or how would you feel if someone treated your mother as you have treated a particular client who has trusted you implicitly?

The CFP Board says it "aspires" to a uniform fiduciary standard. Yet we all know that "financial planning" is being used more for sales than advice by way too many of our fellow CFP® licensees.

Frankly, I don't think any of these terms are particularly ambiguous or hard to grasp. I just don't find much common ground between the terms "advice" and "sales."

At the end of the day, "CFP®" must stand unambiguously as both the trademark and hallmark of fiduciary advice. Understanding that financial planners are neither angels nor saints, the client must have the unassailable confidence that his CFP® advisor can be trusted to serve his interests first and ahead of any others, most especially including those of employers or monthly sales quotas.

This issue of confusion is a very big deal. Confusion is bad for professions aspiring to be perceived as authentic. Somewhere in here is the essence of confusion and blown branding.

If financial planning is to achieve the stature of an authentic profession, we must define its mission and purpose in the contexts of our fiduciary relationships and accept the responsibilities implicit within an authentic advisory profession.

No confusion allowed.

They Are Not Us. We Are Not Them.

CHAPTER 6.4

In all affairs it's a healthy thing now and then to hang a question mark on the things you have long taken for granted.

Bertrand Russell

The financial planning profession looks to most outsiders like it is married to the financial-services industry. To the extent it's a marriage, it has been consummated in a place other than Heaven. Other parts of this book assume or imply what I will say bluntly here: Industry constantly engages in overt identity theft and unceasing assault on the structural integrity and individualism of the financial planning profession.

Many financial planners will read that statement and react: "What are you saying? You mean our friends? Our bosses? Our partners? You, Dick Wagner, are claiming a major distinction between Industry and the financial-planning profession? Don't we all have the same interests? Aren't we all on the same side?"

Actually, "major distinction" understates the extent of the chasm. And a chasm has two sides. It is positively dangerous to try floating between them. And yet -- thousands of would-be professionals do it. Which means this chapter will need to acknowledge much complexity during its quest for simple and sound differences.

CFP® fiduciaries who feel as I do can't really blame Industry -- after all, it has mostly only done what comes naturally. Financial services was there decades before P. Kemp Fan, Jr. became the first CFP® licensee. Indeed, it gave life to the new profession. Unfortunately, Industry assumes that this fact gives it some claim over financial planners -- a claim that goes beyond goodwill, and even beyond the expectation of a friendly ear.

It is fair to acknowledge that the financial planning profession is "of" Industry. Its roots are there. Industry has provided context and companionship, as well as compensation. My fellow CFP®s mostly like their Industry contacts, including those colleagues in insurance, investments, banking, law and accounting.

But CFP®s violate their Code of Ethics -- and their very reason for being -- whenever they place their loyalties to Industry above loyalties to either their profession or to their clients.

STAND AND BE COUNTED

CFP® fiduciaries are not the same as the companies that manufacture financial products. This is such an obvious fact that it gets overlooked. Financial planners need those financial products and they need to use those financial products. But right-minded CFP® fiduciaries will be serving the clients first and foremost. The obsolete laws of agency notwithstanding, he or she is not the same as those who create and sell those products as their primary function.

It is Industry's job to "Manufacture" and then "Sell". Ideally, Industry would create a group of pure salesman working directly with selfdirected consumers. This is the way most commerce is conducted. In the alternative, the sales force could provide support for the authentic advisers who would rely upon them for product knowledge and service. This model is the one used by the pharmaceutical industries in their relationships with physicians.

Unfortunately, this is not how it works in the financial services world. All too frequently Industry has its own salespeople doing their level best to confuse.

On the surface, they are essentially indistinguishable from genuine advisors. The clothes and the promises are very much the same except that they relate to the individual on a "buyer beware" basis. Truth be told, those individuals could not function as CFP® *fiduciaries*, even if they have earned the rights to use the marks. CFP® *fiduciaries* are not financial products *sales*people first and advisors second. They are not "producers". Whenever they function that way, they cease functioning as *fiduciaries*, arguably subject to disciplinary action by CFP board.

I hasten to add: Functioning "that way" does not make them bad people. It does not make their advice incompetent or necessarily inappropriate. It simply means they are not bound by an oath whereby they accepted fiduciary status and its attendant duties.

"*Fiduciaries*" must put their clients interests first and above their own. Make no mistake; this is not an oath of poverty. There's nothing to keep fiduciaries from getting paid. That being said, they should probably resist being called "producers" based on sales volumes.

This is a complex area with blurry boundaries. Oftentimes this or that "sale" is appropriate -- no quarrel there. Sometimes they are not. The issue is really a matter of perspectives and priorities. No matter how this shakes out, however, members of an authentic profession should be serving their clients first and foremost, not orienting their advice around their manager's production schedule.

Financial Service Industry Corporations Do Not Practice Financial Planning.

The real rub comes when the corporations attempt to label themselves as the advisors. There are substantial differences between a financial planner and these faceless corporations. To name just two of these fundamental differences...

> (1) The financial services industry is not a human -- it works with big numbers, many at a time. Financial planners are human -- they work with small numbers, one or a few at a time.

Regardless of how much Industry claims incessantly to be the client's best friend in the financial business, Industry cannot engage in human activities. It might manufacture great products (or not, as the case may be) that serve consumers and assist with their financial stability and preparedness. However -- Industry does not provide objective fiduciary advice. Humans are needed for that.

Objectivity requires a lot of listening; Industry cannot listen. Industry cannot provide full-spectrum, custom responses to individual issues in contexts of whole lives. It cannot tell when it is boring someone to tears or touching a nerve. Industry cannot use its aggregated wisdom or its personal life experiences to help guide clients through some sort of pickle or prepare for some great opportunity.

> (2) Industry never took a test to prove its competency. Neither has it taken an oath committing itself to a "Code of Ethics and Professional Responsibility." Industry is not devoted to the notion that its "advisors" should have suitable experience to meet appropriate credentialing standards either for its initial qualifications or for the ongoing blessing of a credentialing body.

> (3) Most importantly, Industry cannot have one-on-one relationships with folks in ways that bring objective recommendations to the kitchen table.

You would think all of this would be intuitively obvious to Industry. After all, even the pharmaceutical companies urge you to consult your doctor in their televised pitches. Merck puts out a respected consumer manual every year, but if you call up their new corporate headquarters in Kenilworth, New Jersey, with an inquiry about treatments for anxiety, you will end up spreading those symptoms rather than hearing a recommendation on how to alleviate them, or deal with any other medical problem.

While major hospitals and health services networks extol their corporate virtues in terms of rankings, success ratios, patient satisfaction, and the like, they make it clear that the docs deserve credit as individual experts. They most particularly do not suggest that the institution is practicing medicine. The bandstand or other platform is separate from the musicians on the stage.

Even the lawyers figured this one out. When law firms advertise, they always use real practitioners. They know you want your advice from an authentic lawyer, not just an actor playing one on television.

One positive sign is the commercial that came on the air in 2014. CFP Board demonstrated excellent humor in its television ad putting a charming, dreadlocks wearing DJ in a suit and a haircut, pitching to potential clients and clearly gaining their trust with his vocabulary.

FACELESS, DISEMBODIED, AND AMORPHOUS

My fellow financial planners tolerate countless companies pretending "they are us" following green paths, talking to Chuck, or telling us how much money they think we will need for life after retirement. It happens inside those company branch offices and it also happens in their advertisements and other media offerings. Why is this a huge problem? It is because these offerings are utterly, completely and devastatingly confusing.

Anybody who watches television even a little knows that there are countless companies regularly advertising their financial planning “expertise.” The message these companies deliver time after time after time is quite simple: They are the ones that understand the individual. They grasp long-term goals. They know how to help the individual stick to their version of the planning process that was developed “together.” *Come to them; stick with them. Millions of others have. Do this and you will have a long and happy life.*

Their promises are impressive. Along their way, you can access their legions of folks who are experts at all manner of cool stuff from asset allocation plans, to estate plans and appropriate insurance products. Their money managers are always amazing, circling the globe for the next amazing investment opportunity while being planted virtually indigenously in local communities and being superbly educated in all relevant matters. If you use them for financial advice, you get the canoes, you get the sunsets and you get to pass right by the Alzheimer’s wards without worry.

Message after message, regardless of company, is that you just can’t do better than working with its people -- except that “its people” have no name or face. They exist only in the aggregate.

Sometimes they show an actor who apparently “cares,” radiating warmth, sincerity and compassion. Yet he/she is still working within the context of a faceless, disembodied, amorphous company that makes no representations about its people’s qualifications, expertise, loyalties or objectivity. You are being asked to get comfortable sharing your life’s most intimate aspects with a black box.

Sad to say, Industry’s “black boxes” include folks with otherwise terrific credentials yet have chosen to function essentially as tenant farmers. These are the ones -- the CFPs working for various banks and insurance companies -- who simply can’t grasp the salient issues around “fiduciary.”

In my family we have a great word: Butcept. "Butcept" signals there is just one little problem -- which, of course, is anything but trivial. All the same, it is likely to offer amusement.

This lovely word came to us many moons ago courtesy of our seven- year-old neighbor. Chris had agreed to take care of our cat while we were away on a five-day road trip. It was his first job for money and he was duly attentive with a strong sense of duty. Everything started off fine as my wife Gail delivered meticulous instructions on the care and feeding of a young feline.

Upon our return home, the young fellow rushed to greet us. "Dick, Gail -- I did everything I was supposed to do. I kept the cat's bowl filled with water. I fed her every day. I cleaned her litter box…I…" He looked up. He looked down. He shuffled his feet and couldn't quite look us in the eye.

"Butcept there is just one little problem. I haven't seen the cat for five days." And he started to cry.

We assured him that he had done a great job and that the cat would turn up (-- which she soon did, of course). We thanked him, paid him, and picked up a word that has served us well ever since.

And it applies quite nicely to the financial services industry. Industry has a lot to offer, "butcept" it does not belong in the same space as the financial planning profession.

MANUFACTURER AND SELLER, YES -- AS FOR ADVISOR, NO

This chapter is not a rant or hidden pitch for going "fee-only". Quite the contrary -- I am prepared to extend full courtesies to Industry for the generally excellent job it does creating quality financial products at reasonable prices. When I think of the load structures that existed 30 years ago— and the products now available – Industry is clearly a good Supplier.

That being said, it makes a better trading partner than identity thief.

In the immortal words of the late but legendary Harold Gourges, CFP®, healthy industries must address three distinct functions: Manufacturing, Advice and Sales. As a long-time FSC representative, Mr. Gourges was no fire-breathing fee-only ideologue. Nonetheless, he was notably reticent to see functions confused. "When you go to your surgeon for your physicals," he observed, "you end up with a lot of scars."

Industry has done a lot that is admirable, but it has gone too far. It not only wants to be the manufacturer and the salesman, but the advisor, too.

So -- what is to be done?

I thought the profession was given its answer in 2007 when the FPA prevailed in its case against the SEC (*Financial Planning Association v. SEC*, 482 F.3d 481, (D.C. Cir.) 2007). The court vacated the original Advisors Act Rule 202(a)(11)(C) on the grounds that the Commission did not have the authority to exclude broker-dealers offering fee-based brokerage accounts from the definition of "investment advisor".

In other words, they would now have to comply with investment advisor rules and accept fiduciary status. Yet the problems remain. I guess it depends on what your definition of "definition" is. There are consequences to this. So long as industry pretends to the advisory function, it becomes difficult to communicate distinctions. The public is confused.

In like manner, as long as "financial planner" is essentially synonymous with "financial salesperson," it is tough to do the kind of cross industry research and academic credibility building and development that so ably serves the other advisory professions. Graduate programs, large-scale surveys and studies, and the like will suffer under allegations of bias and self-service.

To be blunt, it also assures that whistles don't blow.

Should Industry once again lean to the excesses that led up to 2008, financial planners would be ideally situated to serve as functional checks and balances. It saddens me to think how we could have possibly changed history had we simply spoken from our gut feelings from 2003 to 2007. Indeed, almost every financial planner I know anticipated some of the difficulties we endured collectively. Amongst ourselves, we talked about how easy money and the real-estate markets would come to no good. To clients, we addressed the perils of easy money.

Unfortunately, few financial planners spoke publicly or for the benefit of the public. Regrettably, there were real-life consequences.

Perhaps most seriously, the bargain we apparently struck has impacted the credibility and viability of the financial planning profession for standing on its own and developing its full potential.

You might be assuming that the genie is out of the bottle. We have the confusion and the mess. And we still have the realities of Industry continuing to posture as financial planners. Plus, we continue to have way too many so-called financial planners standing on the sidelines believing that "if it sells, it must be good."

Nonetheless, CFPs are entitled to insist on the dignity and development of our profession. Financial planning is not the equivalent of the financial services industries. As I relentlessly remind my peers: *"We are not them. They are not us."*

It's All About The Numerators

CHAPTER 6.5

Society exists only as a mental concept;
in the real world there are only individuals.

Oscar Wilde

NO LAW OF SMALL NUMBERS

Financial planners work with an invariable truth: The law of large numbers does not apply to small numbers.

Each client's future is essentially unpredictable given the abundance of variables. You hope the money lasts, but the certainties yield inexorably to uncertain life spans and states of health, acts of nature, volatile business cycles, unstable dependents, unforeseeable client responsibilities, irregular business... just to name a few of the realities we all face. By the time we get done with all the uncertainties, variables and possibilities of a single human's life, the numbers on your spreadsheet are essentially just an illusion. They may look real and may be more useful than nothing, but they are still illusory. The world is a fickle place—and the money doesn't care.

It would be nice if we could actually rely on our wondrous spreadsheets and graphs. Often, all the client wants is the sense of certainty and predictability implied by settled numbers. But, alas, the map is not the territory. Such certainties are not part of life or money, particularly not individual lives or modern money. Moreover, it is a cruel irony that we most want such certainty when it is least available, namely for the last 20 to 40 years of our lives.

I know what you're thinking. "Bummer! All that time spent with that ridiculous HP-12C calculator preparing for the CFP exams, and for what?

Fair enough, but we have to admit to ourselves that financial planning is a tough, but inexact, profession, more art than science. Ultimately, it doesn't lend itself to certainties of any sort—except the certainty that failures to plan and prepare will undoubtedly yield the worst results of all.

We get the big bucks when we put all of this in perspective for others, namely regular people who find money a bit mysterious.

HOW HIGH IS UP?

Predictions amidst uncertainties are for weathermen and actuaries. Truly predictable results simply can't be delivered. Economists and insurance companies may deal accurately in the laws of large numbers, but we must recognize that those people are in the denominator business. Not us. We are in the numerator business, simply stuck doing the best we can, one client at a time.

I find it amusing to parse the numbers that pass for meaningful, i.e. "scientific," analysis of investments and their use in planning for life events, especially retirement. Though clearly well intentioned, these efforts basically yield answers that are some version of "Who knows? It's the best we can do." That's how the would-be clairvoyants address such issues as Social Security elections, withdrawal rates, miscellaneous portfolio enhancement theories and the whole range of what I would affectionately call the "crystal ball business."

These prophets act as though they are operating particularly effective divining rods, their pronouncements fairly drenched with certainty. But let's face it, when it comes to individuals and meaningful inquiry, a Monte Carlo analysis is just a fancy way of saying that life is unpredictable. And we only have 100% certainty after something happens. Otherwise, we are basically giving answers to the question, "How high is up?" It's so easy to fall for the "lie of the decimal point," believing that the numbers impart reliable truths simply because they foot.

Clearly, the number crunchers help us understand relevant issues with greater clarity than no analysis at all. But we must see things in perspective: Individuals are always different from one other and from spreadsheets. The best we can do is guess intelligently and then put those guesses to work within living, breathing, real-life frameworks, as best we can understand them.

MONEY REALLY IS DIFFERENT THIS TIME

Consider that idea, along with the fact that money itself really is different in these times. While money has been around for thousands of years (see David Graeber's extraordinary book *Debt: The First 5000 Years*), its most recent role is unprecedented. It has become the most powerful and pervasive circular force on the planet. Money skills are 21st-century survival skills do not come naturally to human beings. And so forth. No societies in the history of the world have ever been so dependent upon money as are the first world cultures of the 21st century.

RELIANCE ON MONEY AND THE FEARSOME FORCES IT GENERATES

America became increasingly prosperous in that time. It has also engaged in unprecedented transfers of wealth in support for those essentially incapable of supporting themselves in a money economy. Indeed, it is somewhat ironic but blessings nonetheless that many living today would not have been able to survive in the pre— Money era. It is something of a tautology to observe that America, as well as much of the rest of the world, has become ever more reliant on money to accomplish all of this. This remains an abiding reality in the present day, as money has become the most powerful

Unfortunately, we have not yet effectively studied or understood our relationships with our medium of exchange, nor with the fearsome forces it generates. And, frankly, there is nobody who can provide this vital education in money and how to live with it—unless it is those of us providing financial advice.

And that means we must provide new contexts and understandings, including these historical ones. It is fine and dandy for financial professionals to have rules of thumb, mathematics, charts and graphs and thick financial plans, but let us understand their limitations. We also have to tell people how many variables are working for or against them: the effect of things like Moore's law in expanding computer capacity, increased mobility, expanding life spans and the various terrors of modern life. In other words, we must explain the world in terms of all its unknown and unknowable permutations and possibilities, including rational understandings of money itself and how it affects individuals.

It is about the numerators.