

What's the Difference Between a Certified Financial Planner and a Financial Advisor? | GOBankingRates



You visit the doctor when you're sick, the mechanic when your car needs work. But when your financial situation becomes more complex than you can handle, who you turn to for help might not be so cut and dried.

If you're considering [hiring a professional](#) to get your finances in order, one question will undoubtedly come up: What's the difference between a certified financial planner and a financial advisor?

"It is no fault of the consumer that the financial advisory landscape is very confusing," said Andrew Wang, an SEC-registered investment advisor and co-owner at Runnymede Capital Management. "Everyone calls himself a financial advisor, including financial planners, insurance agents, brokers and investment advisors."

Even more confusing is that a certified financial planner (CFP) is considered a financial advisor as well, but most financial advisors are not CFPs. Even so, the distinction is important.

Financial Advisor Definition

A financial advisor is essentially anyone who is paid to provide financial advice, from stockbrokers to bankers. It's a general term; those who call themselves advisors can possess any number of specialties.

According to Aaron Hatch, CFP and co-founder of Woven Capital, “Most financial advisors are salespeople who generally need to pass a couple of tests.” The Series 7, 6, 65 or 66, are just a few Hatch listed. However, he noted, these tests ensure a minimum level of knowledge, but they don’t compare to the rigor and depth of the CFP examination. In fact, there are more than 800,000 financial advisors in the U.S., but less than 10 percent have a CFP designation.

Certified Financial Planner Definition

A [certified financial planner](#) is a financial advisor who has completed the education, examination, experience and ethics requirements for obtaining the designation. Certification is granted by the Certified Financial Planner Board of Standards, Inc.

The Difference: Education and Ethics

Keith Singer, a CFP with Singer Wealth Management, elaborated, “A CFP is a financial advisor who has at least three years of professional experience and passed 10 college-level courses on subjects such as retirement planning, insurance planning, taxation and estate planning. Moreover, certified financial planners must pass a rigorous two-day exam and meet ethical and continuing education requirements.” (The CFP Board transitioned from paper-based to computer-based testing last November — the test is now a one-day, six-hour exam.)

That’s right, ethics: The fourth “E” required for certification. Becoming a CFP involves much more beyond doing well in school. “Ethics is another major component to being a certified financial planner,” CFP Erik Nicewarner said. We are required to adhere to a fiduciary standard.” He said that certified financial planners must always put the client’s best interest first: “If it is not in the client’s best interest, it is not an option.”

CFPs are clearly held to high standards — standards that don’t necessarily have to be met by all financial advisors who want to practice. Nevertheless, that’s not to say a CFP is always the best choice, or that other financial advisors are subpar options in comparison. Nicewarner added, “These qualifications are no guarantee of a top-notch financial planner, but they certainly provide a CFP professional with an understanding of the interrelated and complex nature of [financial planning] topics.”

How to Choose a Financial Advisor vs. CFP

Seth Deitchman, associate vice president and financial advisor at Morgan Stanley, explained that having the CFP designation doesn’t always mean that advisor is smarter or more capable than an advisor without it. He did say, however, that it indicates “a higher level of commitment, understanding and dedication to the trade.”

He noted that a financial advisor with a solid background in finance, plus an understanding of his client’s goals and how to reach them, can provide assistance — even if that help is adequate at best. “In many instances, the client will not pay any more to use an advisor who is CFP,” Deitchman said.

Though certified financial planners go through a rigorous certification process, a financial advisor can still be a great option — it comes down to doing your research to find the person who is best qualified to serve your particular needs.

Pete Bush, a CFP at Horizon Wealth Management, noted the best way for consumers to evaluate financial planning professionals is not necessarily by how they are paid for their advice, but on the depth and quality of that advice. “‘Retiree’ is not a vocation, as a retired teacher and a retired brain surgeon probably have different planning needs,” he explained. “A specialist, niche advisor is more likely to know the ‘off the field’ stuff that is important to people just like you and help you think through the various nuances of your financial life.”

John Fowler, CFP and wealth manager with McElhenny Sheffield Capital Management, noted “Having the CFP designation isn’t the end-all, be-all. In fact, it is a lot like the newly graduated med student: He or she may be a doctor, but they haven’t really developed the depth of real-world skills they need to be on their own. That comes with experience, time, and specialization, just like it does within any other professional sector.”

Before hiring an advisor — whether certified or not — you should [perform a search](#) on both the individual and his or her firm through the Financial Industry Regulatory Authority (FINRA) to find more information about qualifications, employment history and most importantly, disclosure events, such as complaints, regulatory actions and bankruptcy filings.

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