PARTNER. ADVISOR. CATALYST.

Transitioning to Financial Planning: The Benefits of CFP® Certification

OCTOBER 2019

Dennis Gallant

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IMPACT POINTS

This Impact Report, commissioned by Certified Financial Planner Board of Standards Inc. and produced by Aite Group, identifies and quantifies differences between registered representatives and investment advisor representatives (collectively referred to as "financial advisors") who hold the CFP® certification and financial advisors who are not CFP® professionals. The study compares CFP® professionals with non-CFP® professionals across multiple metrics, including practice positioning, the importance of planning, services offered, means of compensation and revenue across a financial advisor practice, and levels of client affluence. Key takeaways from the study include the following:

- CFP® professionals are more likely to position themselves as financial planners and wealth managers than non-CFP® professionals. CFP® professionals from solo practices are more likely to call themselves financial planners, and CFP® professionals from team practices are more likely to call themselves wealth managers.
- Forty percent of CFP® professionals believe financial planning is more important than investment management, compared to 23% of non-CFP® professionals.
- At least half of CFP® professionals provide financial planning to half or three-quarters of their client base.
- CFP® professionals provide various financial planning services to more of their clients than non-CFP® professionals, especially addressing retirement planning, estate planning, tax planning, and insurance more often for their clients.
- CFP® professionals are compensated more frequently for advice-based compensation, especially annual/retainer fees, than are non-CFP® professionals.
- CFP® professionals are more likely than non-CFP® professionals to provide planning services that clients agree to pay for, rather than waiving their fee, indicating that consumers are more willing to pay to work with a CFP® professional.
- Top drivers for obtaining CFP® certification include increasing credibility with clients and prospects, enhancing knowledge of personal finance, and increasing confidence in engaging, identifying, and delivering financial planning support for clients.
- For advisors not interested in obtaining the CFP® certification, the primary reasons include cost and not having the time. However, 45% of CFP® professionals surveyed had the cost of certification completely covered by their employer, and 14% had partial cost covered.
- CFP® professionals tend to generate higher revenue. The annual median revenue for CFP® professionals is 46% higher than that of non-CFP® professionals. Annual median revenue per client was also 40% higher for CFP® professionals than for non-CFP® professionals.

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INTRODUCTION

The demand for financial planning continues to increase both in the number of individuals and households seeking advice, and in the level of complexity. The increasing wave of aging investors and baby boomers nearing or in retirement requires more comprehensive financial planning support. The emerging hybrid advisor is making financial planning more accessible to a wider range of small- and large-net-worth clients by combining a low-cost robo-platform with a human-based advisor.

CFP® certification, granted by Certified Financial Planner Board of Standards Inc., provides advisors with the fundamentals and framework for delivering financial planning. Nearly all wealth management firms that train new advisor entrants strongly encourage these advisors to pursue CFP® certification. For many advisors, the cost of the exam is heavily subsidized or completely covered by their employer. For recruitment of existing and experienced financial advisors, candidates with the CFP® certification are highly preferred.

The objective of this report is to identify how advisors position their practices with clients, to identify the services that they offer, and to look at other practice attributes. The report compares CFP® professionals to financial advisors who do not have CFP® certification across practice types and a variety of advisor performance metrics. This study helps validate the benefits and value of CFP® certification for advisors and ultimately their clients.

METHODOLOGY

In April through June 2019, Aite Group conducted an online survey of 400 U.S. financial advisors that included 182 CFP® professionals. Reponses were cut across advisor channels (Table A).

Table A: Breakdown of Advisors Surveyed by Channel

Advisor channel	Number of responses
Independent RIA	98
Wirehouse	100
Independent broker-dealer	70
Insurance-affiliated broker-dealer	40
Online brokerage firm	33
Bank-affiliated broker-dealer	29
Regional broker-dealer	30

Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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In addition to channels, the survey questionnaire targeted a wide range of financial advisor attributes, including the following:

- Practice structure (solo or team)
- Target clients/affluence
- Services offered
- Forms of compensation
- Advisor age and years of experience
- Assets under management (AUM), compensation, and revenue levels
- Positioning and focus on planning
- Experience in obtaining CFP® certification

The report also leveraged Aite Group's extensive proprietary insight on the financial planning and wealth management marketplaces to provide qualitative perspectives on the survey findings.

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THE PREVALENCE OF CFP® PROFESSIONALS

With the continued shift toward financial planning and advice, CFP® certification remains a top priority for wealth management firms and financial advisors. CFP® certification should be a high priority for any firm that intends to differentiate its offering by providing holistic financial advice, whether in person or over the phone, to mass affluent, high-net-worth (HNW), or ultra-high-net-worth (UHNW) clients. CFP® certification is particularly important for firms that seek to attract wealthy investors, who often require access to expertise across multiple wealth management areas. However, it is also important for new entrants and young advisors to establish expertise and confidence in building a client base.

The findings in this section discuss differences in adoption of CFP® certification across the industry by firm and practice type. CFP® professionals continue to represent a minority of financial advisors, but they are highly present across team practices, many of which cater to HNW and UHNW investors.

DESIGNATIONS ACROSS ADVISORS

Designations overall are well-represented within Aite Group's 2019 advisor survey. CFP® certification continues to be the most widely held designation among advisors surveyed, representing nearly half (46%) of all advisor designations. Many of the other designations, such as CFA (Chartered Financial Analyst), focus on investment management, and others, such as CRPC or RICP, focus on retirement income and are complementary to the CFP® certification, not as a replacement or alternative certification. Overall, the number of advisors seeking CFP® certification is expected to rise over the next few years as wealth management firms increase their focus on transitioning to financial planning, especially among the next generation of advisors.

Nearly one-third of advisors surveyed don't have any designation and have yet to pursue CFP® certification. For some advisors, especially those nearing retirement, pursuing CFP® certification may not make sense, and those within a team practice may already have a dedicated CFP® professional supporting financial planning. For many others, CFP® certification will be essential in establishing baseline knowledge in financial planning and building credibility with clients, and the certification will be preferred by broker-dealers and wealth management firms in recruiting advisors (Figure 1).

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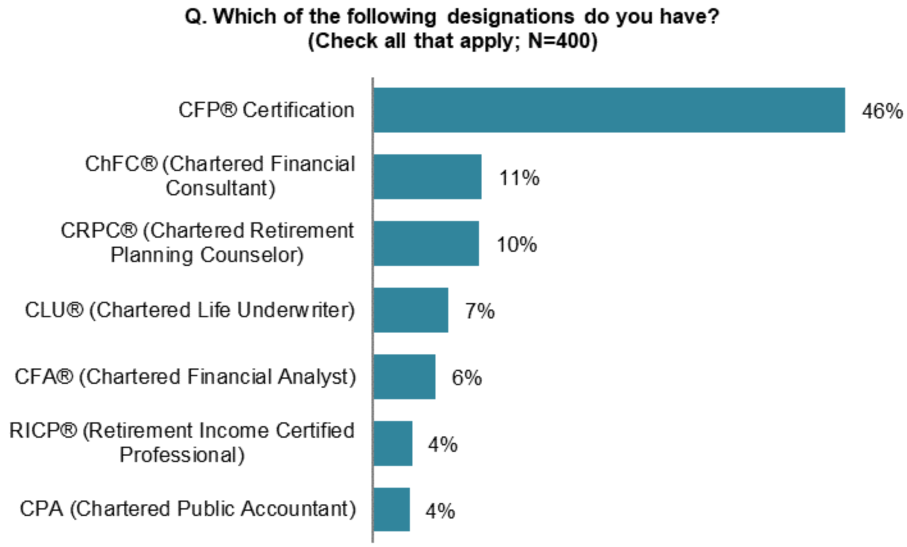
Figure 1: Representation of Designations



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® PROFESSIONAL PRACTICES BY FIRM TYPE

The financial survey primarily focuses on wirehouse, independent registered investment advisors (RIAs), independent broker-dealers, banks, insurance broker-dealers, regional broker-dealers, and discount and online broker-dealers. Independent RIAs have been industry leaders in wealth management and represent the largest share of survey respondents with the CFP certification, at 34%. However, the number of CFP® professionals is expected to rise at the wirehouses as new advisors in training are encouraged to obtain and are reimbursed for obtaining their certification. Encouragement and reimbursement are also prevalent at independent firms. Independent broker-dealers, initially called the financial planning channel, rank a close third, at 18%. CFP® certification will increase across channels as existing advisors shift their emphasis to financial planning and as incoming new advisors increasingly see CFP® certification as a baseline requirement (Figure 2).

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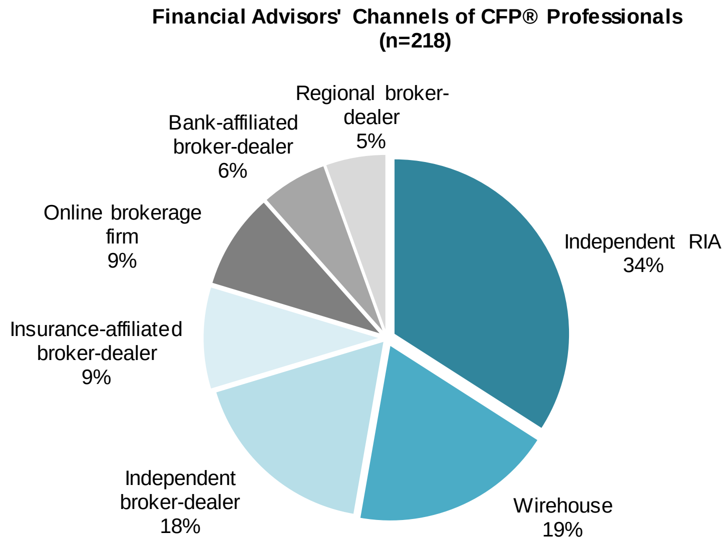
Figure 2: CFP® Professionals by Type of Firm



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® PROFESSIONAL PRACTICES BY TYPE OF PRACTICE

In this report, we discuss two types of practice structures:

- **Team-based practices:** Practices with more than one client-facing advisor
- **Solo practices:** Practices with one lead client-facing advisor (may also have an assistant)

The survey included 182 team practices, with 45% having a CFP® professional on staff and 36% not having a CFP® professional. Of the 218 solo practices surveyed, 42% were CFP® professionals and 44% were not CFP® professionals (Figure 3).

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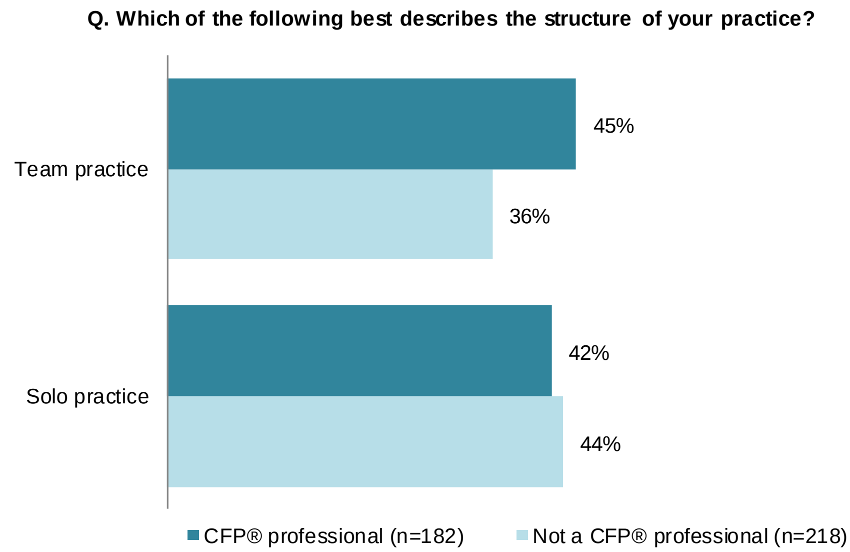
Figure 3: Financial Advisors by Practice Structure



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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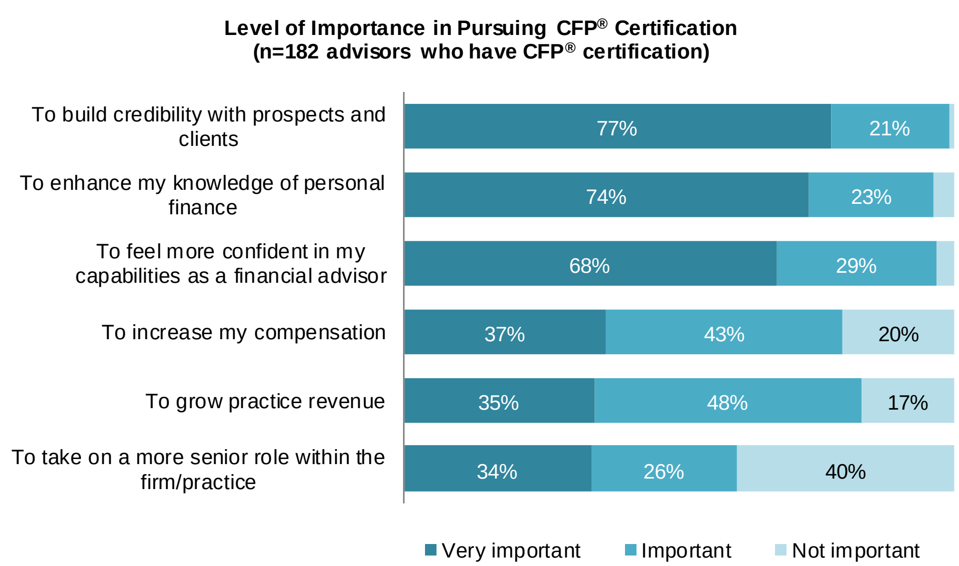
CFP® PROFESSIONAL PRACTICE POSITIONING WITH CLIENTS

Financial planning enhances a financial advisor's value with clients and leads to increased practice revenue. However, the shift toward financial planning requires financial advisors to make changes, including expanding products and services offered, expanding expertise, and developing core competencies within financial planning, from client discovery to estate planning. CFP® certification provides financial advisors with the essential frameworks for addressing financial planning and client needs, and also provides a means of positioning their practice.

DRIVERS FOR OBTAINING CFP® CERTIFICATION

The drivers for obtaining CFP® certification validate the benefit it provides through assisting financial advisors in positioning financial planning with clients. Advisors surveyed list top drivers, including increasing credibility with clients and prospects, enhancing the financial advisors' knowledge of personal finance, and increasing the advisors' confidence in delivering financial planning. Other drivers include increasing revenue and compensation. While CFP® professionals typically have higher revenue than non-CFP® professionals, it's important to note that the top three drivers involve all client-facing efforts and focus on enhancing value and rapport with clients (Figure 4).

Figure 4: Level of Importance in Pursuing the CFP® Certification



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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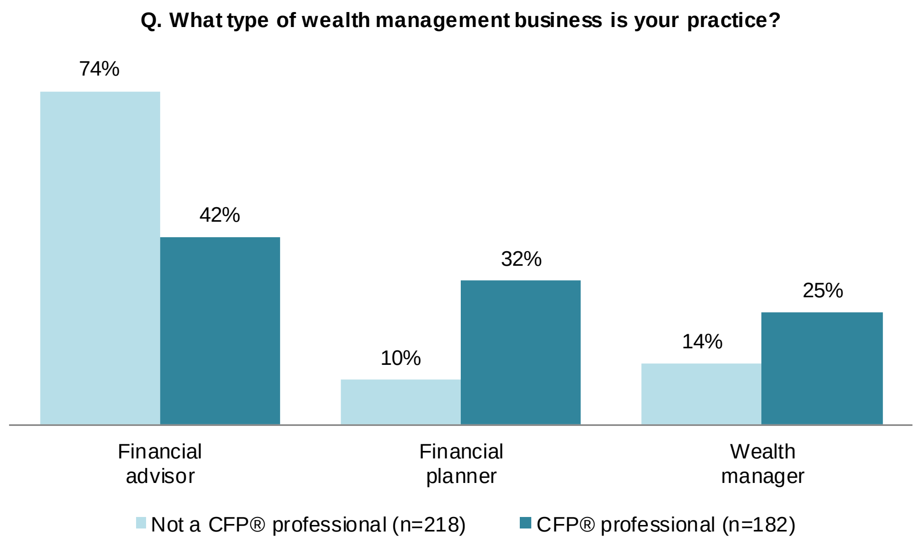
POSITIONING ADVISOR PRACTICES

CFP® professionals are more likely to position themselves as financial planners and wealth managers than are non-CFP® professionals. Based on the advisor survey, nearly one in three CFP® professionals positions himself or herself as a financial planner, and one in four positions himself or herself as a wealth manager, compared to non-CFP® professionals at 10% and 14%, respectively (Figure 5).

Figure 5: Advisor Practice Positioning With Clients and Prospects—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

TEAM PRACTICE POSITIONING

CFP® professionals from team practices are more likely to position their practice as wealth managers, at 38%, than non-CFP® professionals from team practices, at 12% (Figure 6).

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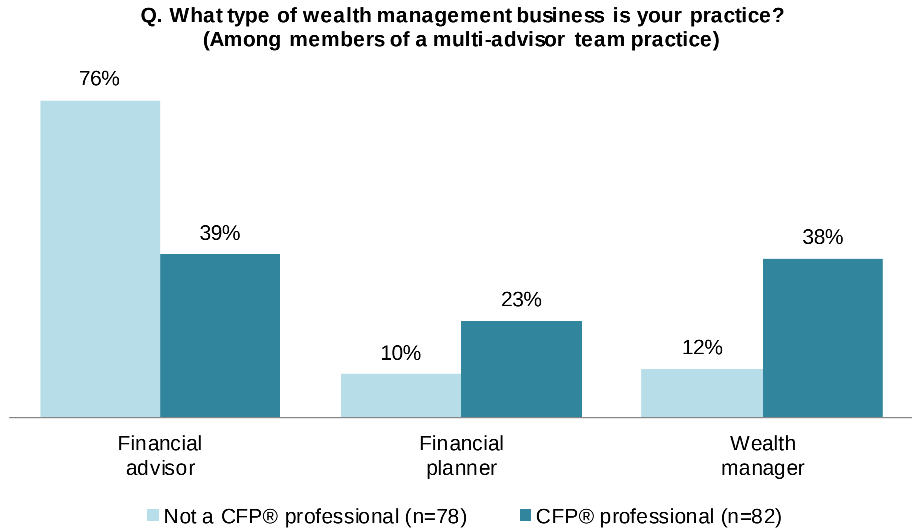
Figure 6: Advisor Practice Positioning With Clients and Prospects—Teams

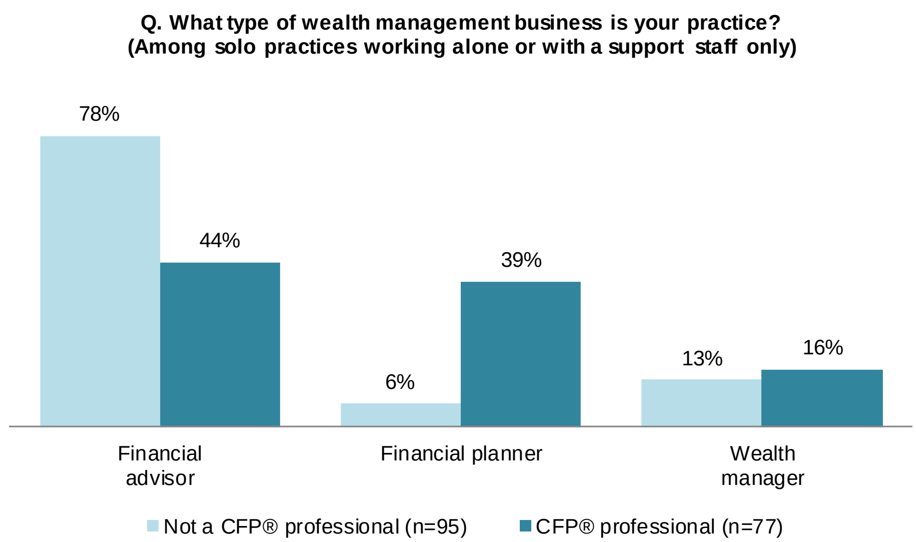


Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

SOLO PRACTICE POSITIONING

CFP® professionals from solo practices are more likely to call themselves financial planners, at 39%, while only 6% of non-CFP® professionals from solo practices position themselves as financial planners (Figure 7).

Figure 7: Advisor Practice Positioning With Clients and Prospects—Solo Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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While many financial advisors may offer financial planning services to their clients, CFP® professionals are more likely to position their practices as financial planners and wealth managers. It's clear that CFP® certification provides an additional layer of confidence for financial advisors in positioning and engaging financial planning and wealth management with clients.

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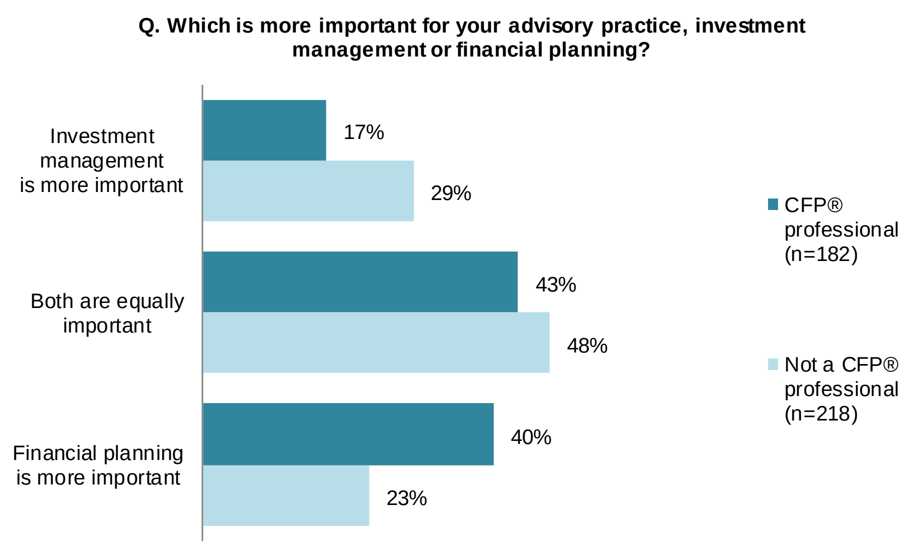
FINANCIAL PLANNING APPROACH AND ADOPTION

This section evaluates CFP® professionals' and non-CFP® professionals' emphasis on financial planning, and the frequency of providing financial planning to clients. It also addresses key characteristics, compares how CFP® professionals differ in their financial planning adoption, and discusses the benefits of leading with financial planning.

LEADING WITH FINANCIAL PLANNING

While many CFP® professionals call themselves financial planners or wealth managers, they also see planning as more important than investment management/advisory management. Over 43% of all financial advisors, CFP® and non-CFP® professionals, believe they are equally important. However, 40% of CFP® professionals believe financial planning is more important, compared to 23% of non-CFP® professionals. Seventeen percent of CFP® professionals believe investment management is more important, compared to 29% on non-CFP® professionals (Figure 8). The results continue to show that CFP® professionals can change the culture of an advisory practice from one that has traditionally been investment-centric to one that is financial-planning-oriented and client-goals-centric.

Figure 8: Importance of Financial Planning—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® professionals from team practices are leading with financial planning to better meet the financial needs of their clients, with 41% believing financial planning is more important, compared to 28% of non-CFP® professionals from team practices (Figure 9).

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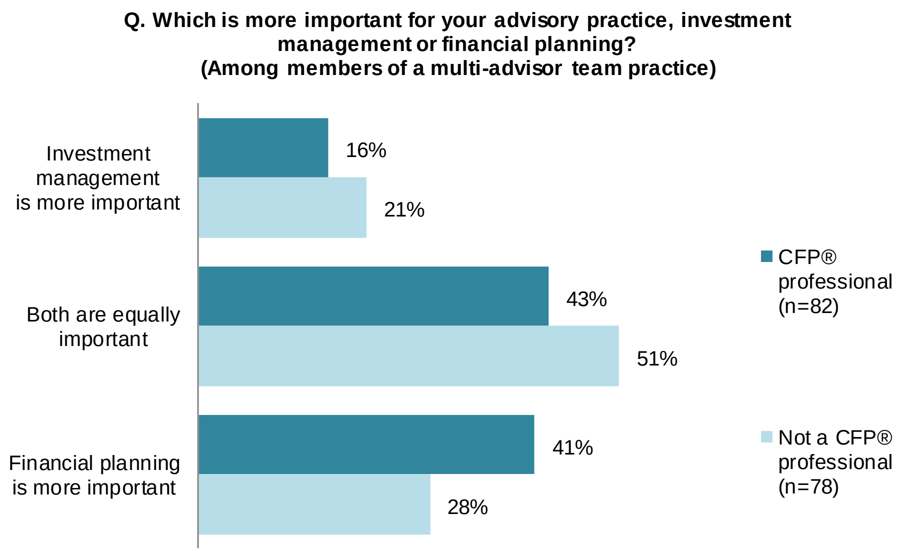
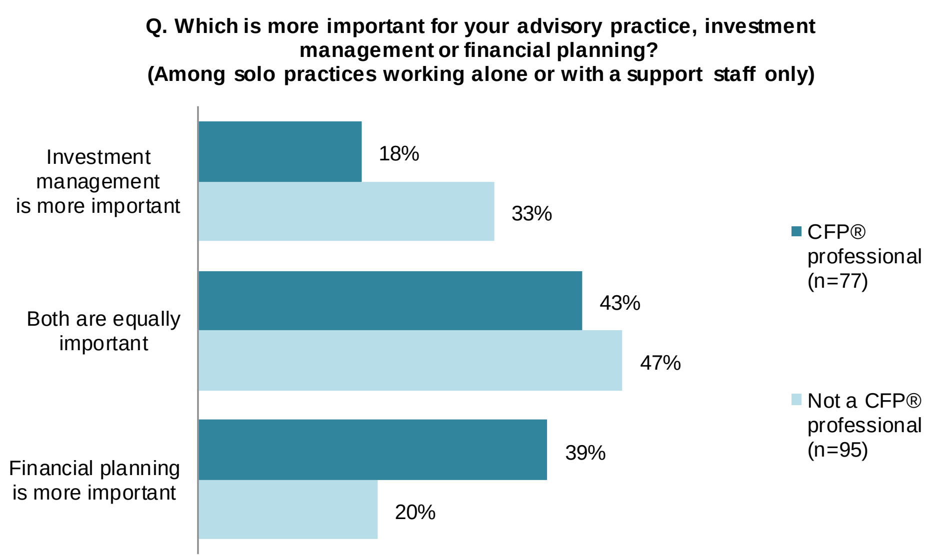
Figure 9: Importance of Financial Planning—Team Practices



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

The importance of financial planning for CFP® professionals from a solo practice is at 39%, compared to non-CFP® professionals from solo practices at 20% (Figure 10).

Figure 10: Importance of Financial Planning—Solo Practices



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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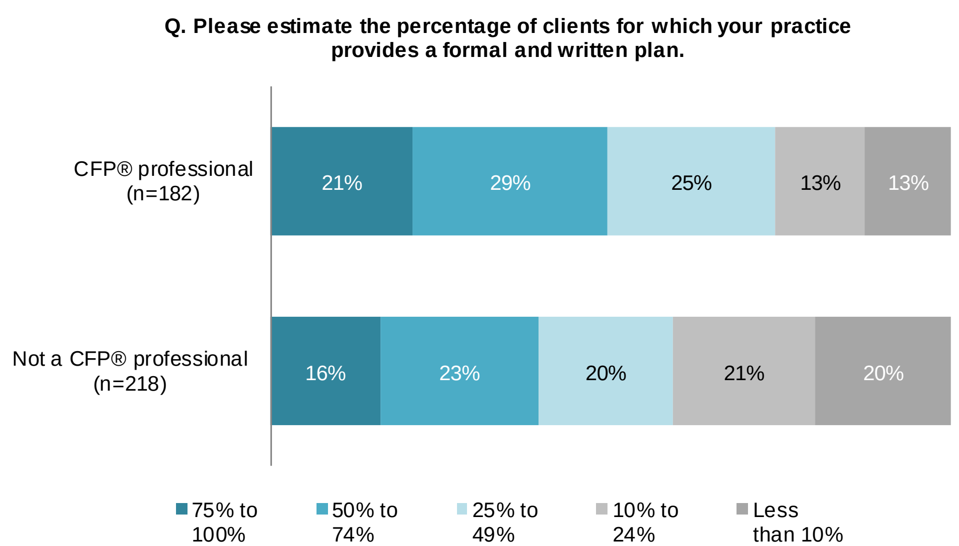
LEVEL OF FINANCIAL PLANNING PROVIDED

Despite the increasing emphasis on financial planning, many advisors only provide planning to a portion of their client base. Financial advisors often cite that not every client needs or wants a comprehensive formal and written plan. Twenty-one percent of CFP® professionals provide formal planning to between 75% and 100% of their client base, compared to 16% of non-CFP® professionals. Over half of CFP® professionals provide financial planning to between one-quarter and three-quarters of their client base, compared to 43% of non-CFP® professionals (Figure 11). The level of financial planning provided across an advisor's client base is expected to rise as financial planning support and planning tools become better integrated into the advisor's daily workflow in supporting clients.

Figure 11: Level of Financial Planning Provided—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

The majority of team CFP® professionals provide formal written plans to at least 50% of their client base (Figure 12).

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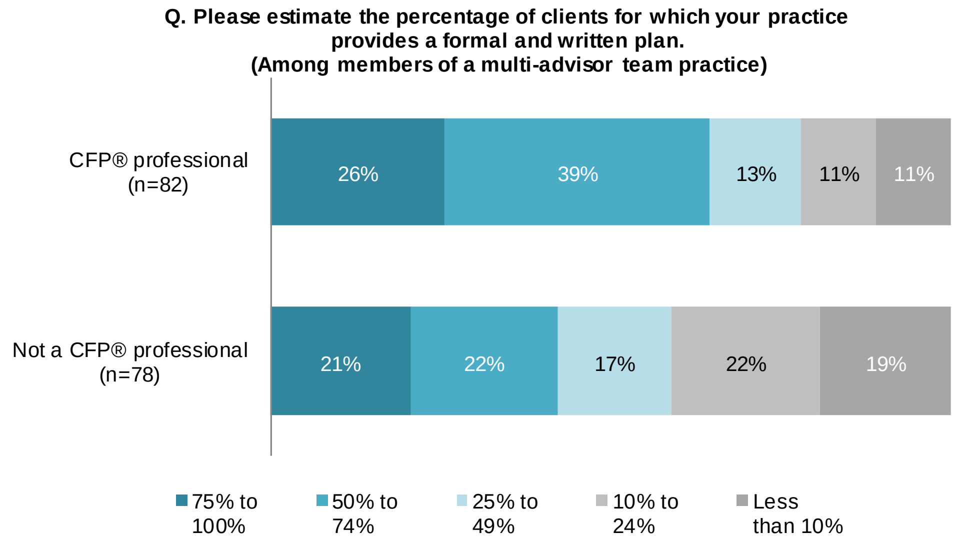
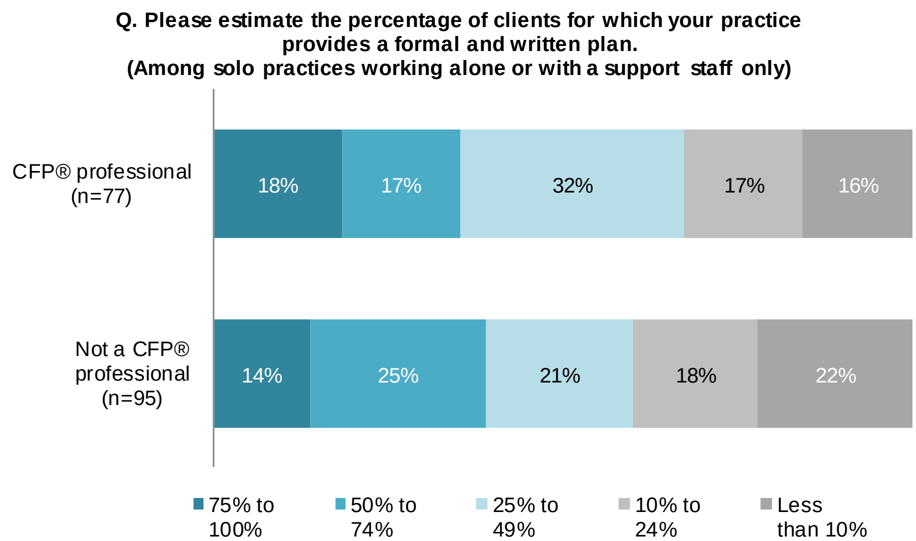
Figure 12: Level of Financial Planning Provided—Team Practices



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® professionals from a solo practice are more likely to offer formal planning to at least 25% of their clients (Figure 13). This percentage is lower than that of CFP® professionals from team practices, which have a greater capacity to deliver formal plans to more of their clients.

Figure 13: Level of Financial Planning Provided—Solo Practices



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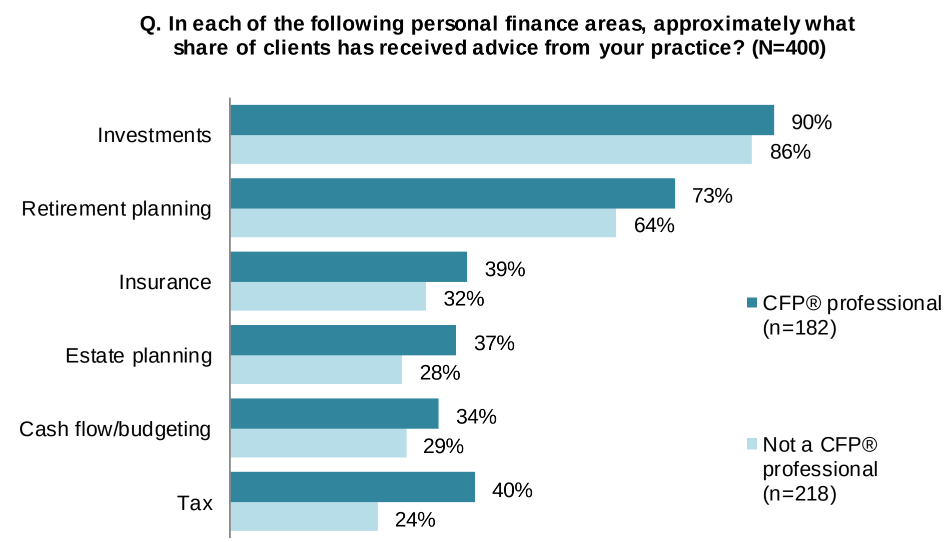
SCOPE OF FINANCIAL PLANNING SERVICES

CFP® professionals tend to provide various financial planning services to more of their clients than non-CFP® professionals. The variances are nearly flat for areas such as investments and cash flow/budgeting, but CFP® professionals tend to provide retirement planning, estate planning, tax planning, and insurance more often for their clients (Figure 14). Estate and tax planning are important services in supporting HNW clients, and CFP® professionals have an advantage in providing these services due to their comprehensive education.

Figure 14: Share of Clients Receiving Advice by Topic



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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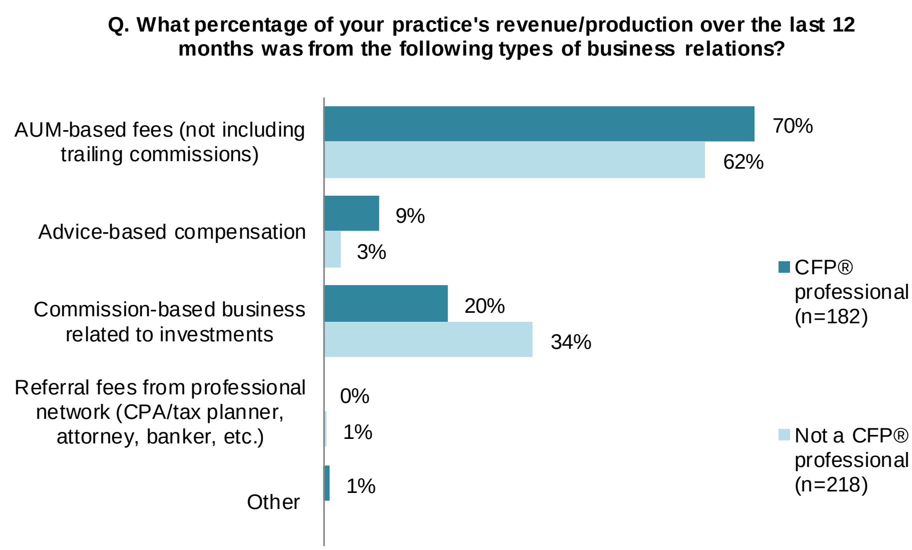
FORMS OF COMPENSATION

CFP® professionals continue to rely less on investment products to sustain their business than do non-CFP® professionals. Fee-based or advisory compensation based on AUM continues to dominate the financial advisor marketplace, at 79% and 86% for CFP® professionals and non-CFP® professionals, respectively. AUM-based fees are primarily derived from managing client investment portfolios.

Increasing fee pressure, commoditization of asset management, and the growing demand for advice and planning are driving interest in other forms of compensation beyond commissions and AUM-based fees. Despite the growing demand for advice and planning, few advisors charge for advice, which includes a flat fee for financial planning, an annual retainer, or a subscription or hourly fee.

CFP® professionals lead in the adoption of advice-based compensation, at a 9% share, versus 3% for non-CFP® professionals (Figure 15). Over the next three years, 14% of CFP® professionals expect advice-based compensation to grow, compared to 3% of non-CFP® professionals.

Figure 15: Practice Revenue by Method of Compensation



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

ADVICE-BASED COMPENSATION

Advice-based compensation is the key difference between CFP® professionals and non-CFP® professionals. This is even more pronounced for CFP® professionals from solo practices, for whom advice-based compensation represents 16%, than for team CFP® professionals, at 4% (Figure 16). CFP® professionals from team practices typically have a significant focus on managing client portfolios, and they may have a dedicated investment management team and

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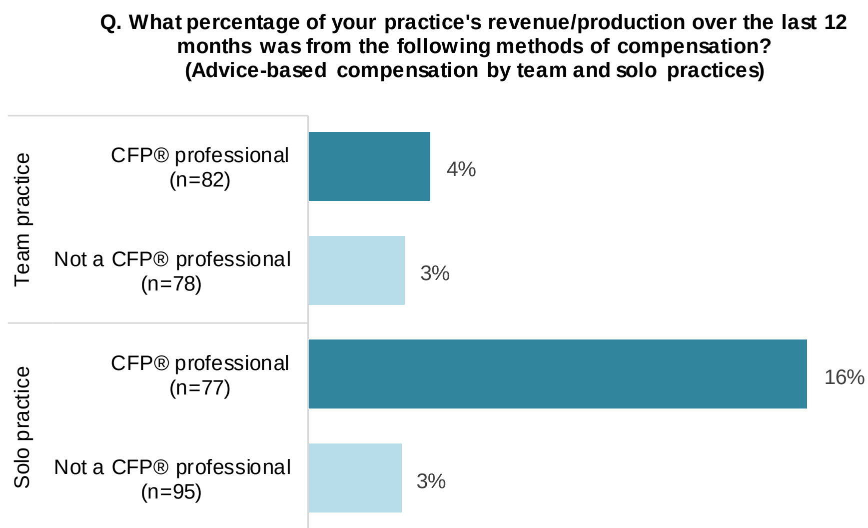
may be biased toward using AUM. Typically, for teams in the HNW or family office, advisors use a confluence of compensation methods, including AUM-based, retainer/annual, and hourly fees.

Figure 16: Team and Solo Practice Revenue by Advice-Based Compensation



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

The big challenge for CFP® professionals and non-CFP® professionals is helping make the transition to advice-based compensation, deciding what to charge, and determining how best to position the new method of compensation with clients.

Advice-based compensation takes a variety of forms, including a planning/flat fee, annual/retainer fees, fixed fees, and per-hour fees. Annual/retainer fees are the most utilized by CFP® professionals, which incents advisors to provide clients with an ongoing relationship and comprehensive financial planning support. Over half of CFP® professionals (58%) charge a flat fee, compared to 56% of non-CFP® professionals. Twenty-nine percent of CFP® professionals charge annual/retainer fees, versus 14% of non-CFP® professionals (Figure 17). Retainer fees are likely to gain share as advisors look to offset shrinking AUM-based fees.

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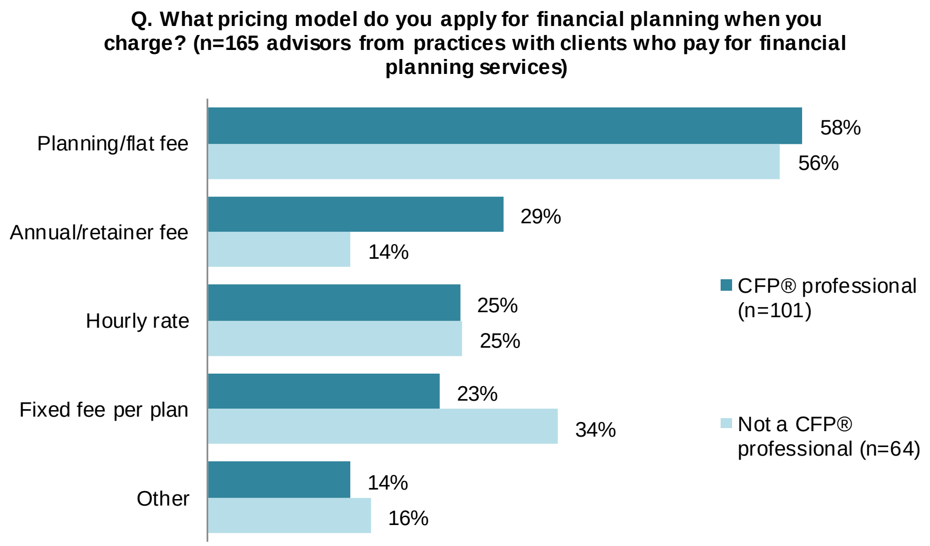
Figure 17: Forms of Advice-Based Compensation



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CHARGING FOR THE FINANCIAL PLAN

Financial advisors often waive their planning fee—believing the AUM fee will cover all costs—if prospective clients have the advisor manage their assets too. However, this approach often devalues the advice, because clients may perceive that financial planning is provided at no cost. It can also limit an additional source of revenue to offset expanded advice services. However, CFP® professionals are more likely than non-CFP® professionals to provide planning services that clients agree to pay for, which indicates that consumers are willing to pay more to work with a CFP® professional. Advice and planning services delivered by CFP® professionals are likely to be rigorously performed and valuable to clients. CFP® professionals estimate 27% of their practice or firm clients pay for financial planning services, while non-CFP® professionals estimate that only 10% of their practice or firm clients are charged (Figure 18). Adding additional planning services will force more CFP® professionals to charge for advice to offset the additional support. Charging for advice will also place appropriate value on financial planning with clients.

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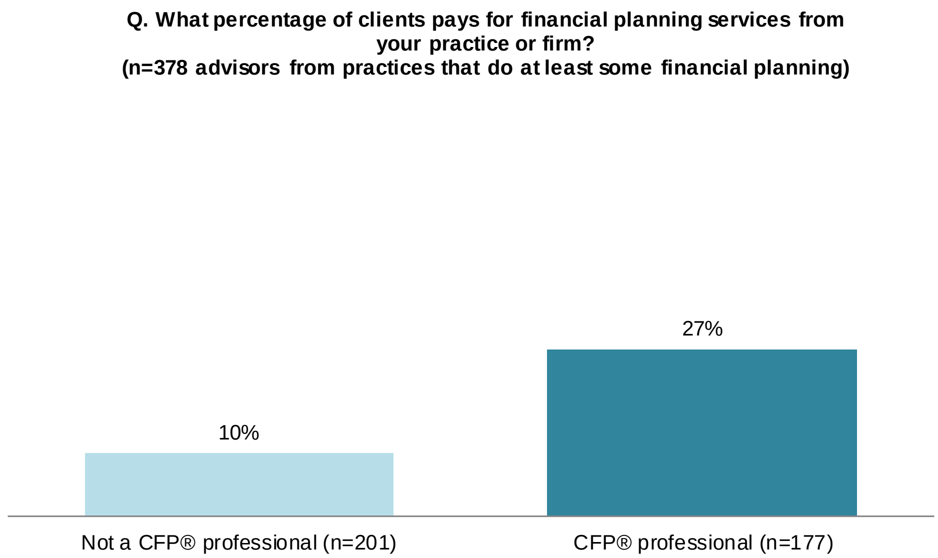
Figure 18: Practices That Charge for Planning Services and Clients Who Pay



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® professionals also charge more for a financial/flat fee. Over half of CFP® professionals charge between US$1,001 and US$3,000 per plan fee. Comparatively, 55% of non-CFP® professionals charge a flat fee of US$1,000 or less (Table B).

Table B: Fee Levels Per Financial Plan

Charging method—fee per plan	CFP® professional (n=23)	Not a CFP® professional (n=22)
Less than US$500	-	**23%**
US$500 to US$1,000	13%	**32%**
US$1,001 to US$2,000	**30%**	9%
US$2,001 to US$3,000	**26%**	14%
US$3,001 to US$4,000	4%	5%
US$4,001 to US$5,000	13%	14%
US$5,001 to US$7,500	9%	-
US$7,501 to US$10,000	-	5%
US$10,001 to US$25,000	4%	-
More than US$25,000	-	-

Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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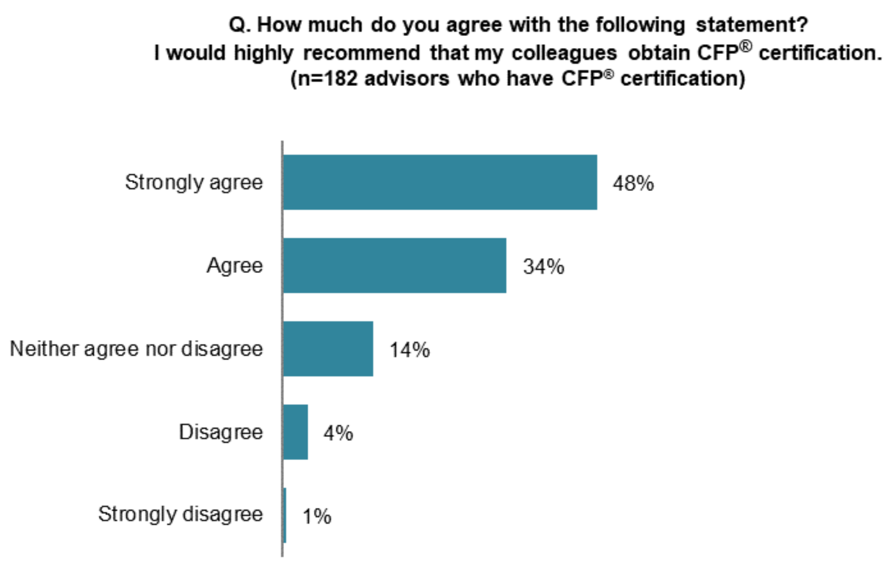
FINANCIAL ADVISOR ATTITUDES TOWARD CFP® CERTIFICATION

After a review of CFP® professionals' contribution to their practices and clients, this section evaluates the impact of CFP® certification on advisors themselves by looking at advisor attitudes and sentiments toward the CFP® certification.

THE IMPACT OF CFP® CERTIFICATION: ADVISOR VIEW

As addressed in Figure 1, the primary drivers for advisors pursuing CFP® certification involve client-facing efforts and enhanced expertise with clients. The drivers for obtaining CFP® certification have translated to value for financial advisors. As a result, over 80% of CFP® professionals participating in Aite Group's 2019 survey of financial advisors would recommend advisors obtain their CFP® certification (Figure 19).

Figure 19: Recommending Colleagues to Obtain CFP® Certification



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

NOT PURSING CFP® CERTIFICATION

Forty-five percent of advisors ranked not having enough time as the top reason for not pursuing CFP® certification. Already having another designation ranks second, at 38% (Figure 20). Having an alternative designation, such as the ChFC or PFS, is likely to be tied to older financial advisors. For new advisors, the CFP® certification is the dominant planning-oriented certification to pursue. Other reasons for not pursuing the CFP® certification include advisors nearing retirement or working in a team practice with a dedicated CFP® professional.

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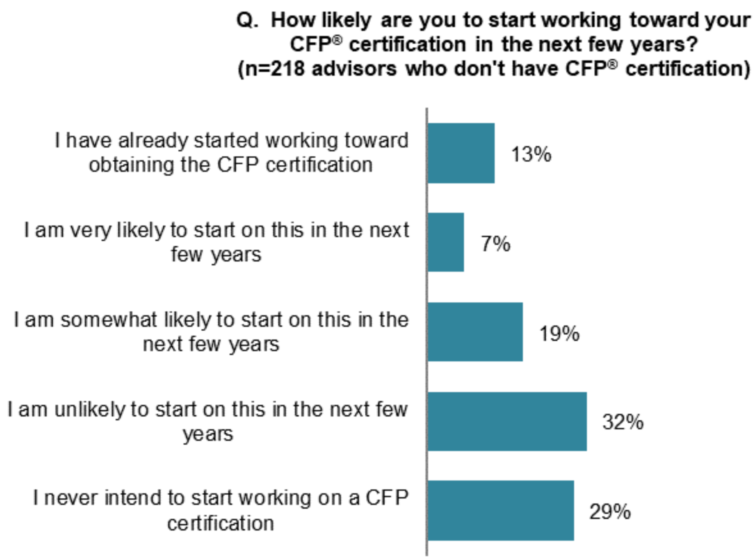
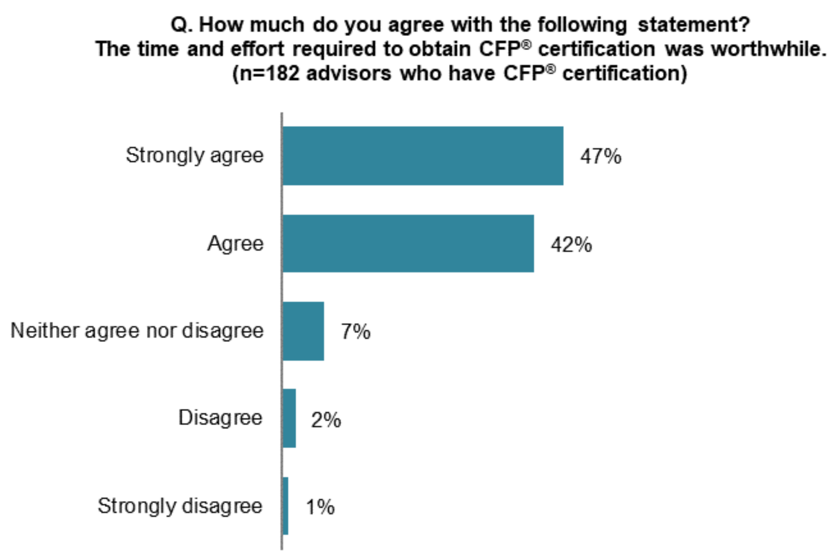
Figure 20: Reasons for Not Pursuing CFP® Certification



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

Obtaining CFP® certification requires time, but time is outweighed by the benefits. In addition to aiding advisors in positioning and delivering financial planning to clients, nearly 90% of CFP® professionals surveyed state that the time and effort required to obtain the CFP® certification is worthwhile (Figure 21).

Figure 21: Time and Effort to Obtain CFP® Certification



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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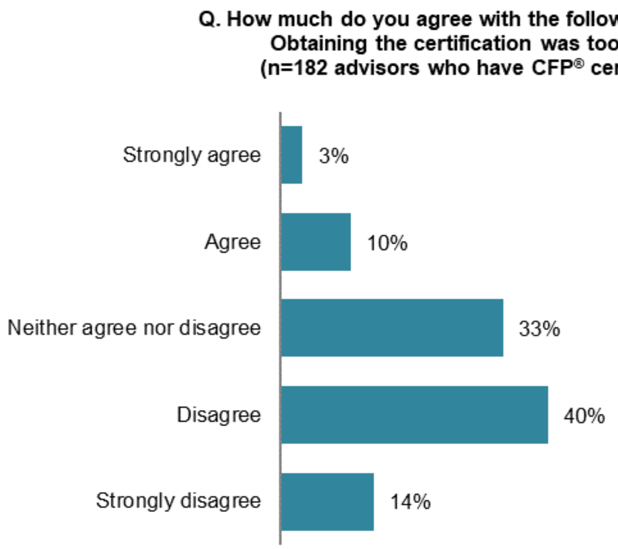
CFP® professionals were asked about the difficulty of obtaining the certification. Over half disagree that obtaining the CFP® certification is too difficult, and less than 15% agree (Figure 22).

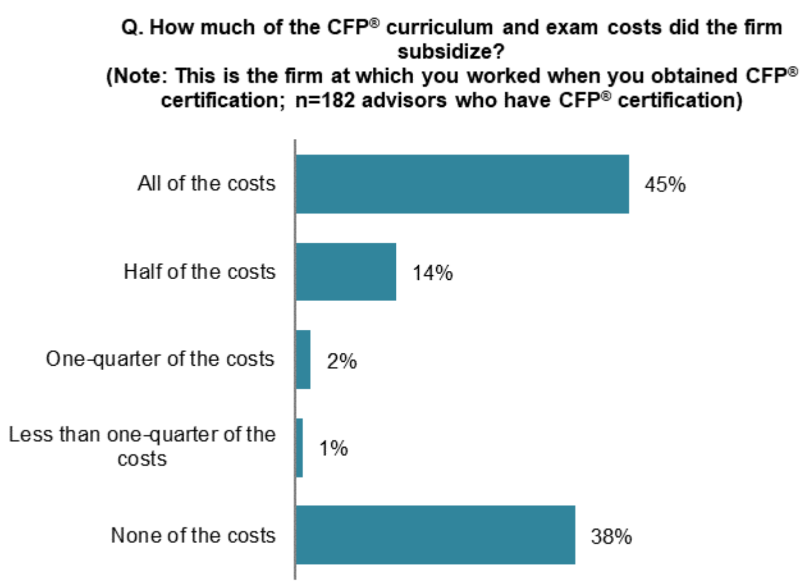
Figure 22: Advisor Difficulty in Obtaining CFP® Certification



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

Cost is not a factor either. The cost for obtaining the CFP® certification was completely covered by an employer for 45% of financial advisors surveyed (Figure 23). In the future, wealth management firms are likely to expand their efforts to encourage advisors to pursue the CFP® certification and will likely continue to use incentives to drive adoption.

Figure 23: CFP® Certification Cost and Subsidies



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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A few advisors stated they were not likely to pursue obtaining CFP® certification because they have not lost any clients due to not having the CFP® certification, or they have not seen any client demand for the certification. While this may be true from the advisor's perspective, prospective clients who use the CFP® certification as a key selection criterion have likely screened out non-CFP® advisors, so the non-CFP® advisors rarely engage with prospects preferring to work with a CFP® professional. The continued shift toward financial planning will lead to greater consumer awareness and will increase the demand for working with a CFP® professional.

The reality is that the benefits of the CFP® certification outweigh the challenges and objections from financial advisors, many of which can easily be addressed.

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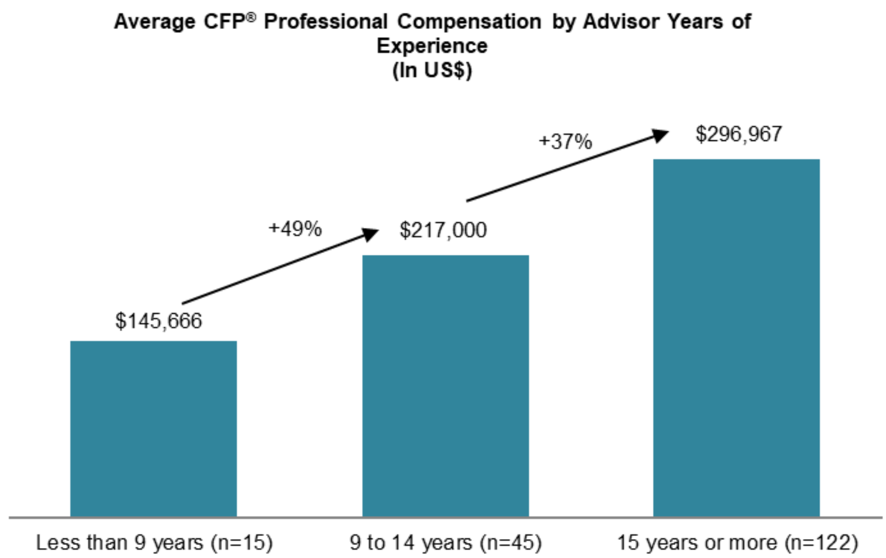
FINANCIAL BENEFITS OF CFP® CERTIFICATION

This section will address the impact of the CFP® certification on practice revenue, AUM, and client affluence levels.

CFP® PROFESSIONAL INCOME BY YEARS OF EXPERIENCE

The income for CFP® professionals increases with experience. The average income for a CFP® professional with less than nine years of experience is US$145,666 and rises to US$296,967 with 15 or more years of experience, a 50% increase (Figure 24).

Figure 24: 2019 Advisor Compensation Adjusted for Years of Experience



Source: Aite Group's survey of 400 U.S. financial advisors, June 2019

These results show that CFP® professionals are well-positioned for financial success throughout their careers. Compensation grows double digits throughout their careers, and growth does not slow among late-career CFP® professionals.

CFP® certification drives confidence in positioning and delivering financial planning, which leads to the identification of a wider range of client need, greater client wallet share, and the potential to generate more revenue. CFP® professionals surveyed generate higher revenue, have higher AUM, and target more affluent clients than non-CFP® professionals.

CONTRIBUTION TO PRACTICE REVENUE

Despite strong market growth over the past decade that has bolstered revenue for nearly all advisors, CFP® professionals continue to generate more revenue annually per practice and revenue per client overall than non-CFP® financial advisors. The annual median revenue for CFP®

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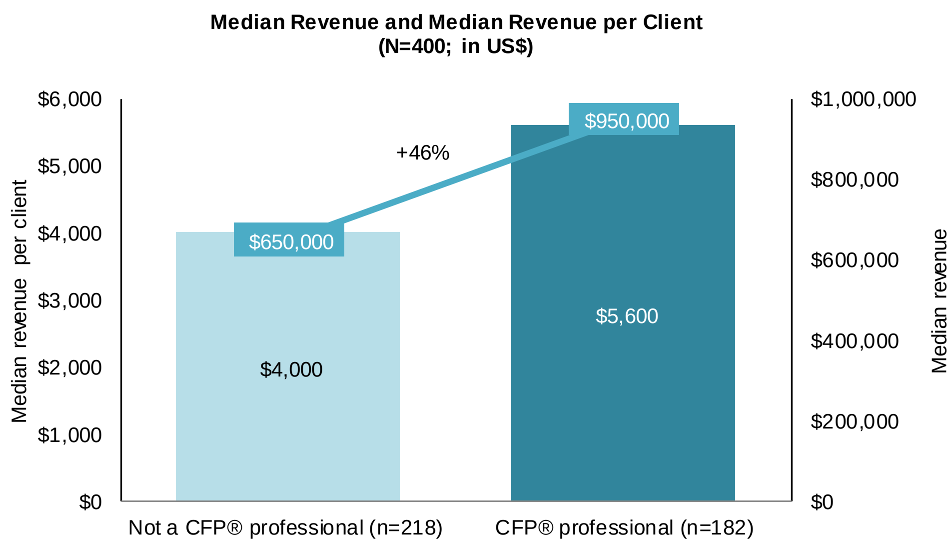
professionals is US$950,000 and is 46% higher than non-CFP® professionals, at US$650,000. Annual median revenue per client is also 40% higher for CFP® professionals, at US$5,600, than for non-CFP® professionals (Figure 25).

The revenue advantage can be attributed to CFP® professionals—as financial planners or wealth managers—identifying a wider range of client advice and investment needs, offering more services, capturing greater client wallet share, and often supporting more affluent clients, leading to higher revenue.

Figure 25: Median Practice Revenue and Revenue per Client—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

TEAM PRACTICE REVENUE COMPARISON

Team practice has high revenue tied to the ability to increase scale and capacity to support a larger and more affluent client base. CFP® professionals from a team practice generate US$2.5 million in annual median revenue, which is 67% higher than practice revenue for non-CFP® professionals in a team practice, at US$1.5 million (Figure 26).

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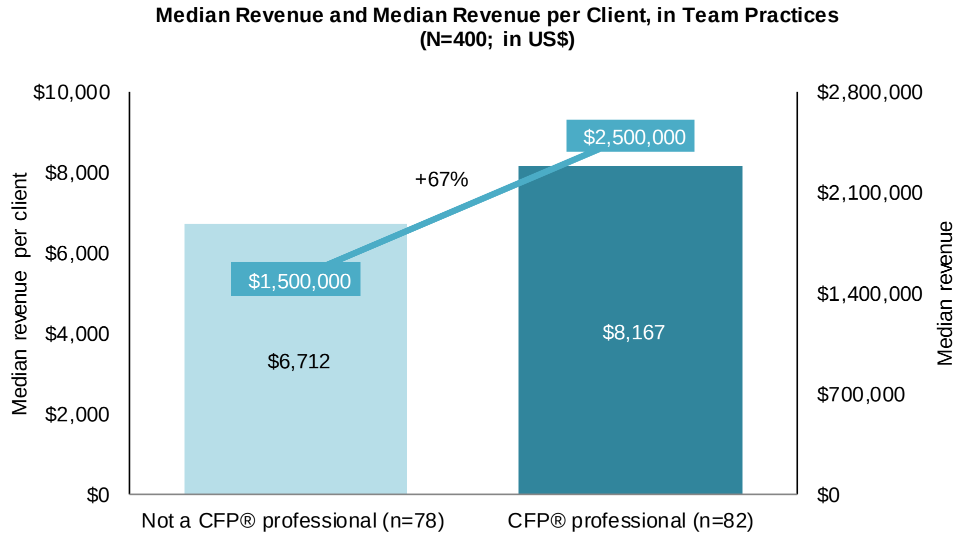
Figure 26: Median Practice Revenue and Revenue per Client—Teams



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

SOLO PRACTICE REVENUE COMPARISON

Annual median revenue per client for CFP® professionals from a solo practice is 29% higher, at US$4,000, than for non-CFP® professionals, at US$3,112. The level of median revenue per client for solo CFP® professionals is higher even though their overall annual median revenue is slightly lower, at US$350,000, than non-CFP® professionals, at US$450,000. The higher revenue per client for solo CFP® professionals can be attributed to providing a wider range of services as a financial planner and supporting more affluent clients. The higher revenue for solo non-CFP® professionals can be attributed to market appreciation for investment-oriented practices, more mature solo practices acquiring and consolidating advisor practices, and assets entering retirement.

SHARE OF AFFLUENT CLIENTS

The cost of support has historically driven advisors upmarket, targeting more affluent clients. But supporting affluent clients is competitive and requires more comprehensive planning and complex advice to meet the needs of sophisticated HNW clients. This provides CFP® professionals with an advantage, which is reflected in their higher share of HNW clients, at 43%, over non-CFP® professionals, at 32% (Figure 27).

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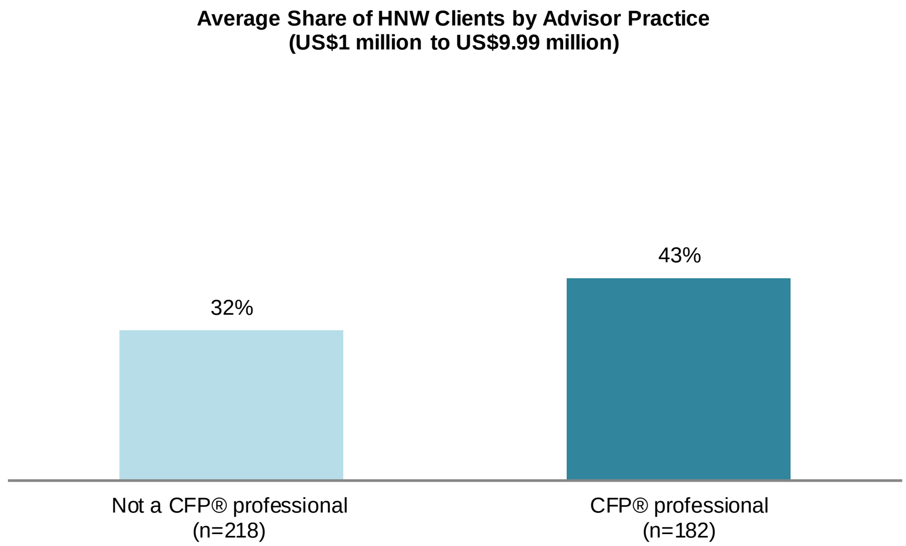
Figure 27: Share of HNW Clients—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

Hybrid advice solutions and digital tools are enabling advisors to cost-effectively service and support a wide range of mass-affluent clients. The use of digital tools and account aggregation, investment management platforms, financial planning software, and hybrid advisor/call center solutions make this market more attractive for financial advisors. A number of these emerging hybrid advice offerings prefer to employ CFP® professionals, and a few have made it a requirement for advisors.

SOLO AND TEAM SHARE OF AFFLUENT CLIENTS

The advantage of CFP® certification is also reflected in the share of HNW investors. Solo CFP® professionals' share of HNW clients, at 38%, is below the share for CFP® professionals overall (43%), which makes sense given their limited resources compared to a team. The team model is well-suited for serving the HNW marketplace. CFP® professionals' team share of HNW clients, at 50%, will continue to increase as financial planning increasingly becomes a core offering for financial advisors (Figure 28).

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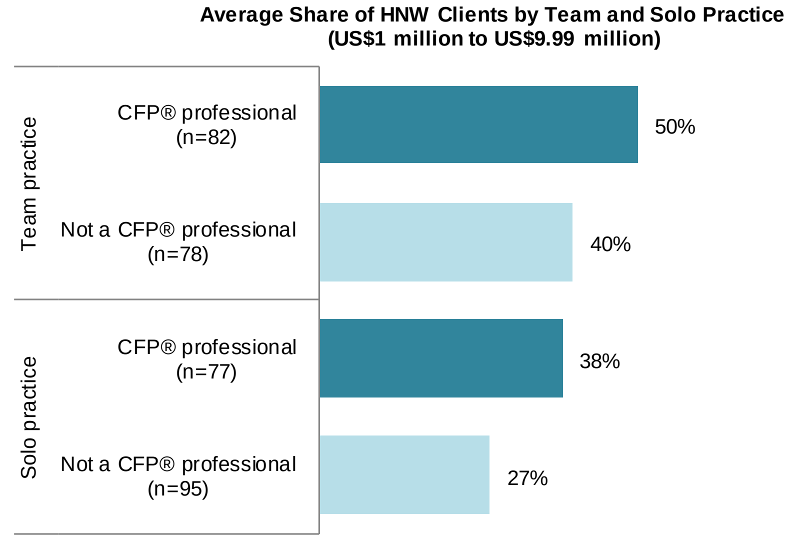
Figure 28: Share of HNW Clients at Solo and Team Practices



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

AUM AND INVESTABLE ASSETS

AUM is the primary driver of revenue generation for financial advisors, with an average fee of 100 basis points. Growth in AUM is derived from multiple sources, including new client assets, consolidation of existing client assets held away, market appreciation, and acquisition of other financial advisor practices. Ultimately, the financial advisor's ability to demonstrate value with clients is essential in gathering and retaining client assets.

CFP® certification favors financial advisors in supporting affluent clients and in gathering assets. This is evident in the level of AUM CFP® professionals have compared to non-CFP® professionals. Advisors with US$300 million to US$999 million in client AUM favor CFP® professionals, with a 26% share, versus non-CFP® professionals at 15%. It's important to note that AUM does not contribute to advice-based compensation/revenue (Figure 29).

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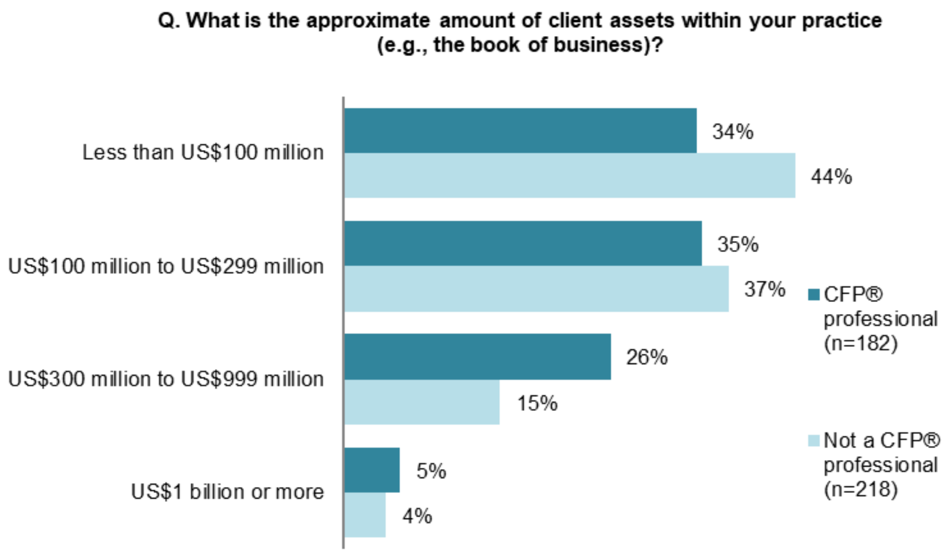
Figure 29: Share of AUM—All Advisors



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

CFP® professionals from team practices have an even greater share of AUM, at 48%, for assets between US$300 million and US$999 million, than non-CFP® professionals at 29%. Eleven percent of CFP® professionals from a team practice have US$1 billion or greater in AUM, versus 6% of non-CFP® professionals.

In addition to having more AUM and affluent clients, CFP® professionals tend to support clients with higher levels of investable assets. Across all financial advisors surveyed, CFP® professionals are more likely to serve households with US$1million or more in investable assets than non-CFP® professionals. This is especially true for CFP® professionals from team practices, in which 67% of clients have US$1 million or more in investable assets compared to non-CFP® professionals, at 47% (Figure 30).

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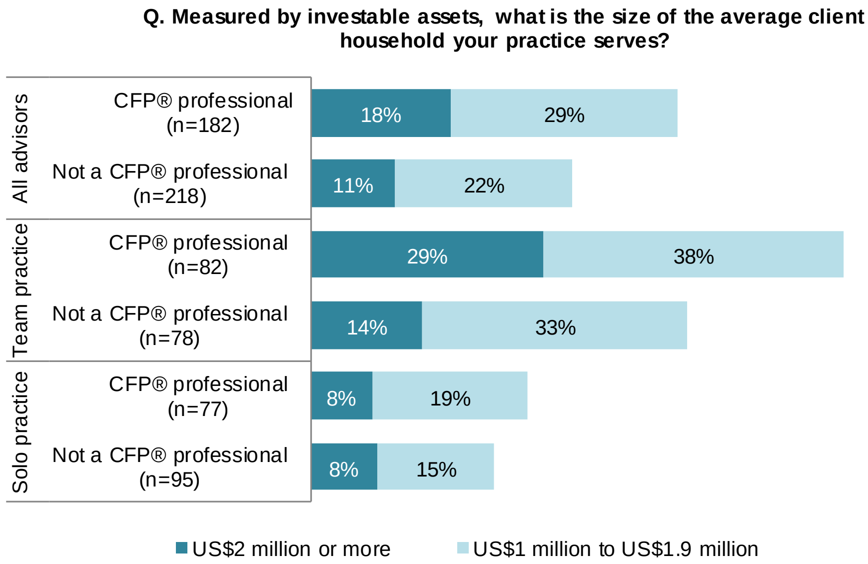
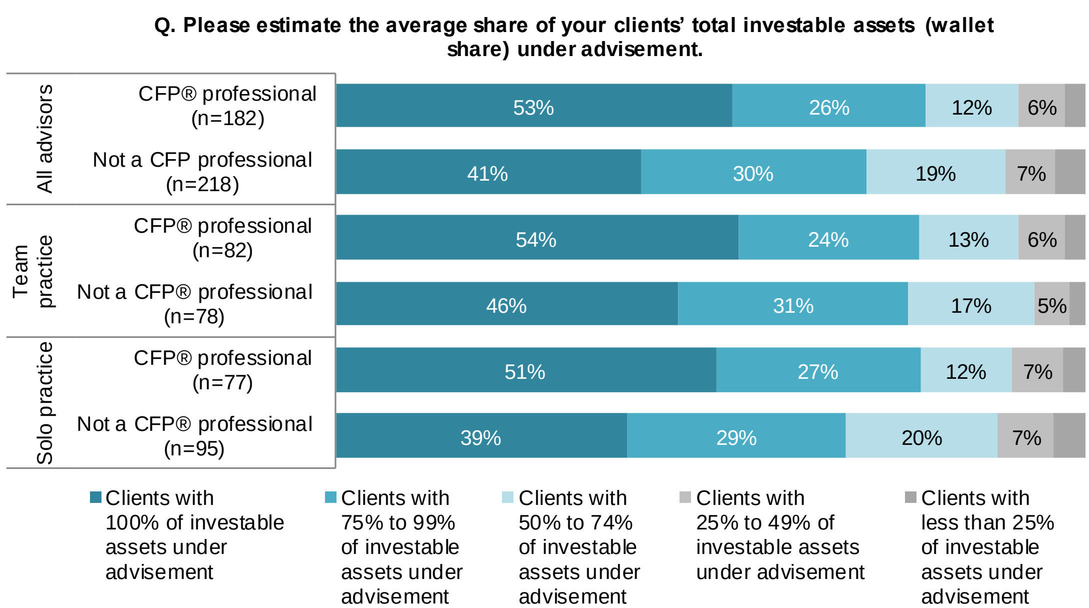
Figure 30: Average Share of Client Household Investable Assets



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

Client household wallet share is a critical element for financial advisors consolidating assets and raising overall AUM. CFP® professionals tend to have a higher level of total client share of investable assets than non-CFP® professionals, with 53% of CFP® professionals having 100% of client investable assets, versus 41% of non-CFP® professionals (Figure 31). Complete wallet share is also high across solo and team practices.

Figure 31: Average Share of Clients' Investable Assets



Source: Aite Group's survey of 400 U.S. financial advisors, April to June 2019

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CONCLUSION

Financial planning is taking center stage, and the role of wealth management and the advisor is expanding and becoming more competitive. CFP® certification is becoming the prerequisite for advisors and wealth management firms transitioning to advice. Most wealth management firms encourage their advisors to obtain the CFP® certification and provide incentives or subsidize the cost. Recent college graduates with a degree in financial planning are eligible to sit for the CFP® exam and are attractive new recruits for wealth management firms. Aite Group expects firms to take a more aggressive approach, such as making CFP® certification a requirement and building out more specific training programs. Key conclusions include the following:

- **The convergence of macro-trends is accelerating the transition to advice.** This means growing consumer dynamics, including the advice needs of retiring baby boomers and digital-oriented millennials, fee pressure and transparencies bolstered by robo-advice and hybrid advice, an increasingly fiduciary and regulatory environment, and commoditization of asset management and the need for advisors to reestablish value with clients.
- **Wealth management firms need to place greater emphasis on transitioning advisors into financial planners.** This transition will prove to be more challenging than the transition from commissions to advisory/AUM fees. Firms should consider adding CFP® certification training programs once new advisors complete their advisor training and onboarding program.
- **Emphasis should be placed on the CFP® certification benefits when positioning financial planning and wealth management capabilities with clients.** CFP® certification establishes confidence for the advisor and credibility with clients.
- **Firms need to get more serious about measuring and managing the quality of the advice they provide if this is the way they intend to differentiate themselves.** This starts with ensuring all advisors have the training to deliver good advice. In addition, firms should consider measuring advice processes and outcomes to share best practices across advisors (e.g., how advisors with the highest client satisfaction are developing and delivering advice).
- **Advice-based compensation (flat fees, annual/retainers, planning fees, etc.) is underutilized as a means of advisor compensation.** Financial advisors are interested in understanding the pros and cons of each method as well as how these methods are being implemented, identifying appropriate fee levels, addressing potential regulatory concerns, and determining how to position and discuss advice-based compensation with clients.
- **Advice-based compensation, such as an annual/retainer fees, better aligns financial advisors' compensation with the advice services provided to their clients.** Advice-based compensation also mitigates potential conflicts of interest with investment/product recommendations and enables the financial advisor to monetize client services provided beyond investment management.

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