

7,103 views | Jan 29, 2019, 06:00am

What Designations Should Your Financial Advisor Have?



Peter Lazaroff Contributor

Personal Finance

I help people make smart money decisions and achieve their goals.



Professional designations provide a standardized way for financial advisors to convey their expertise and ability to contribute to your financial well-being. GETTY

Choosing a financial advisor can be a confusing process, particularly given the different standards of care that financial professionals provide. Making matters worse is the wide range of job titles and designations people use to convey their expertise.

While a job title might have some relevance to a firm's internal hierarchy, you can start with the assumption that all job titles are a form of marketing. Titles are

unregulated and cannot be treated as verifiable proof of someone's credibility or authority to serve your financial needs.

Professional designations provide a more standardized way for people to convey their expertise, but not all letter combinations require the same degree of knowledge and training. It is rare to meet a financial professional without some combination of letters on his or her business card, but here are three most meaningful designations (listed alphabetically) for financial advisors offering comprehensive wealth management services.

1. Certified Financial Planner (CFP®)

This designation is the most comprehensive designation regarding financial planning. The CFP® certification requires participants to complete a series of financial planning courses and pass a two-day board exam. The curriculum covers general principles of financial planning, education planning, insurance planning, investment planning, tax planning, retirement savings and income planning and estate planning.

The CFP Board also requires that its participants demonstrate three years of professional experience related to the financial planning process or two years of apprenticeship experience that meets additional requirements.

YOU MAY ALSO LIKE

To a consumer and investor, an advisor with the CFP® designation should be able to recognize issues that affect your financial plan throughout all stages of your life.

2. Certified Public Accountant (CPA)

Financial professionals with the CPA designation should have highly sophisticated knowledge about taxes and accounting. Prior to sitting for the CPA exam, candidates must successfully complete a minimum of 150 semester hours of

relevant course work. The CPA exam covers auditing and attestation, financial accounting and reporting, regulation and business environment concepts.

The prerequisite coursework and exam should prepare a CPA to assist in strategic decision-making for individuals, businesses and other organizations in regard to tax planning.

Bear in mind, financial advisors with the CPA designation may not offer to file taxes on your behalf. However, financial advisors who have earned this credential should have a firm understanding of how to craft long-term tax-efficient financial plans.

3. Chartered Financial Analyst (CFA)

Most financial professionals consider the CFA designation to be the most challenging credential to earn. CFA candidates must pass three exams, which requires roughly 900 hours of study and has a passing rate of just 44 percent. Each level's exam is offered in June – Level I is offered a second time in December – which means most failing candidates must wait an entire year before taking the exam again.

The graduate-level curriculum for CFA candidates focuses on investment and market topics, including portfolio management, economics, financial analysis, quantitative methods and corporate finance. Prior to being permitted to use the designation, CFA candidates must complete four years of professional work experience in investment decision-making.

Financial advisors with the CFA designation should be exceptionally competent on matters relating to investments and financial analysis.

The Best Financial Advisor Designations

The CFP®, CPA and CFA designations stand apart from the hundreds of professional designations. All three designations require extensive knowledge, continued education and adherence to strict codes of ethics.

When choosing a financial advisor, be sure to look for these designations since they are the most relevant to your comprehensive financial planning needs.

Peter Lazaroff is the Co-Chief Investment Officer at Plancorp and the author of Making Money Simple.



Peter Lazaroff Contributor

I'm a financial advisor, speaker, and author of the book "Making Money Simple." We all need to make smart decisions with our money. In school, you are given a lesson the... [Read More](#)
