

# Consumer guide to financial planning qualifications

## Introduction

If you require financial planning advice, you will doubtless be confused by the myriad of advisory services on offer. On top of this, just how well qualified is the adviser you are likely to be presented with?

In this guide we shall look in depth at the qualifications advisers can hold and will also benchmark them against the National Qualifications Framework (NQF) levels giving you an idea of how they compare with these standards.

Trusting an adviser is essential if you are to have a successful ongoing working relationship with one. Whilst there are many other facets that make up an adviser's overall abilities, knowing that they are sufficiently qualified to deal with your situation will enable you to start building that trust from the word go.

## Types of adviser

In terms of the types of advice that can be provided, there are three main categories.

Independent financial advisers (IFAs) are able to offer advice by researching the whole market and recommending the most suitable products or services from it. IFAs act on your behalf. They are required to offer you the option of paying them a fee instead of being remunerated by commission payments from product providers.

Tied advisers can only advise on the products and services of a single provider or marketing group.

Finally there are multi tied advisers that are allowed to recommend the products of a limited selection of providers.

Advisers from all three categories are subject to regulation by the Financial Services Authority (FSA). Amongst other requirements, the FSA states that all advisers must achieve a benchmark "appropriate" qualification if they are to be signed off as competent. We will now discuss what the current minimum requirements are and also consider what options are available for advisers to progress.

## Qualification designations

The list of appropriate qualifications for advisers has been compiled by the Financial Services Skills Council (FSSC), which is an independent organisation established in 2004 to provide strategic leadership for education, training and skills development for financial services.

The minimum qualification standard required to become a financial adviser is currently at "certificate level". Advisers achieving this standard will have a broad knowledge and understanding of the financial services industry and the products and services available within it. Certificate level also provides eligibility to membership of a professional body whereby members are required to follow a code of conduct specific to that institution. Examples of the qualifications you may see advisers hold at this level are the Chartered Insurance Institute's Certificate in Financial Planning (Cert PFS) or its predecessor the Financial Planning Certificate (FPC), the ifs School

of Finance's Certificate in Financial Advice (CeFA) and the Chartered Institute of Bankers Scotland Certificate in Investment Planning (CIP).

At certificate level you may also find additional qualifications that an adviser has taken in order to deal in a specific area of the industry such as planning for long-term care. In most instances, this is because the regulator requires the adviser to demonstrate sufficient specialist knowledge in an area of financial planning deemed "higher risk" in terms of consequences of giving poor advice.

Advisers can and often do study to attain qualifications at a higher level. Once a certificate level qualification has been completed many will move on to taking exams and assessments within the frameworks of "diploma level" qualifications. These are a natural progressive step from certificate level in that they test the knowledge, understanding and application of subject areas in greater depth. The qualifications you are most often going to come across are the Chartered Insurance Institute's Diploma in Financial Planning (Dip PFS), the ifs School of Finance's Diploma for Financial Advisers (DipFA) and the Institute of Financial Planning's Certified Financial Planner (CFP). In all cases, advisers are required to have fulfilled benchmark qualifications. With the Certified Financial Planner (CFP) licence, the exam entry requirements are even stricter with the candidate needing to have also completed at least one recognised specialist financial planning, taxation and technical exam as well as having at least three years relevant experience. There are those that would argue the CFP is at a higher level than the other mid range qualifications bearing in mind the skills and knowledge it assesses. At the time of writing, the Institute of Financial Planning is seeking a classification from Ofqual more in tune with advanced qualifications.

#### Further qualifications

Further qualifications can be obtained by advisers such as the Chartered Insurance Institute's Advanced Diploma in Financial Planning or the Institute of Financial Planning's Fellowship. These demonstrate a high level of technical and applicatory financial planning expertise. Indeed, achieving this level with the Chartered Insurance Institute potentially enables the adviser to hold "Chartered Financial Planner" status. Be wary on this point though, as the CII also awards Chartered status to firms providing at least 50% of executive directors hold the chartered financial planner designation. Therefore, the adviser standing in front of you may work for a chartered organisation but only be on the initial rungs of the qualification ladder himself. Fellowship of the Institute of Financial Planning is also considered to be one of the highest standards that advisers can achieve within the industry.

Advisers can go even further if so desired. A number of Bachelors degrees are now available from universities that take into account the qualifications an adviser has achieved via professional institutes by providing "credits" towards the degree. The adviser would usually then be required to undertake further study and examination to "top up" their qualifications to a full Honours degree.

However, whilst the financial services industry is constantly trying to raise standards, the number of advisers qualified at advanced level is still only a very small percentage of the advisory workforce. The number who have linked up their vocational qualifications to a specific financial services degree is minimal!

## **Raising the bar**

The FSA has recently published discussion documents and proposals on raising the bar for all financial advisers in terms of qualifications. As part of the regulator's "Retail Distribution Review" it wants all advisers to be qualified to NQF Level 4 (broadly the current diploma level) by 31 December 2012. This level will also be the minimum criteria for new advisers entering the sector to enable them to be deemed "competent". At the time of writing, the FSA's proposals have not been finalised but most within the industry generally accept there is little prospect of a "u-turn".

## **NQF Levels and financial advice qualifications**

So what do these qualifications mean in terms of the depth of knowledge and understanding you would expect from advisers that have achieved them? One way to answer this question is to benchmark the qualifications using the National Qualifications Framework (NQF) standards. This system applies in England, Wales and Northern Ireland. The Scottish Vocational Qualification standards operate on a similar basis.

In most cases, existing financial planning qualifications have been accredited by Ofqual at specific NQF levels. In table 1 at the end of this article, we show each of the recognised NQF levels giving relevant examples where appropriate from the financial services industry. We also give you an indication of the equivalent academic standard for each NQF level so that you can see the kind of work an adviser has carried out to achieve the relevant qualification.

## **Qualifications in more detail**

We have listed and described in table 2, the majority of the current advisory qualifications that are available, the exams and assessments which need to be achieved, the number of hours study that are recommended by the awarding bodies and the NQF level at which they currently stand.

We have also added in some specialist advisory qualifications as well as the basic awards that relate to mortgage advice.

## **Conclusion**

There is no doubt that the proposed changes by the FSA for all investment advisers to be qualified to NQF level 4 standards by the end of 2012 will raise the standard of knowledge and understanding that advisers are expected to have. Whilst the current suite of qualifications on offer from the various professional bodies are likely to be adapted to fit in with the Retail Distribution Review proposals once they are finalised, the existing arrangements give you a good idea of what to expect from an adviser that has made the effort to achieve higher standards than the regulatory minimum.

In addition to the proposed qualification changes, it is worth mentioning a relatively new international standard that has been introduced for financial planning firms. BS ISO22222 has been drawn up with the objective of achieving and promoting consumer confidence by setting specific targets in the way a firm and its advisers should operate. Standards International were the first UK recognised assessor of the BS ISO 22222 certification. Assessment is made of the way in which the complete financial planning process takes place and firms need to be able to demonstrate the required standards in terms of ethical behaviour, competencies and the experience of

financial planners. By adopting the BS ISO 22222 requirements and recommendations, personal financial planners will be able to demonstrate continued competency following the necessary training programmes and maintaining adequate records so that conformity to a high academic standard can be claimed. It goes without saying that advisers seeking the highest standards in professional qualifications will be well placed to demonstrate their ongoing maintenance of high advisory standards for this designation.

In summary, we would recommend that whenever seeking financial planning advice, make sure that you take the time to ask your adviser what his professional qualification achievements are and what he aims to do for the future. Whilst qualifications are not the be all and end all, they do demonstrate a desire to improve a person's abilities. They are no substitute for financial planning experience, but they do provide the adviser with the opportunity to widen that experience.

Good luck!

**Table 1 – NQF Levels**

<b>NQF Level</b>	<b>Vocationally related qualification oriented towards a vocation, profession or trade</b>	<b>General academic equivalent qualification</b>	<b>Financial Planning Qualification Examples</b>
8	Doctorates	Doctorates	
7	Masters degree, Postgraduate certificates and postgraduate diplomas, graduate apprenticeships Key skills*	Masters degree, Postgraduate certificates and postgraduate diplomas	
6	Bachelors degrees with Honours, graduate certificates, Higher and graduate diplomas Key skills*	Bachelors degrees with Honours, graduate certificates	CII/PFS's Advanced Diploma in Financial Planning
5	Foundation degrees, ordinary (Bachelors) degrees, diplomas of Higher Education and other higher diplomas Key skills*	Ordinary (Bachelors) degrees, diplomas of Higher Education and other higher diplomas	
4	Certificates of Higher Education Key skills*	Certificates of Higher Education	CII/PFS's Diploma in Financial Planning  ifs School of Finance's Diploma for Financial Advisers
3	Vocational A levels Various vocational diplomas and awards eg BTEC Nationals Specialised Diplomas Apprenticeships, including key skills or functional skills	A and AS levels, key skills or functional skills	CII/PFS's Certificate in Financial Planning  ifs School of Finance's Certificate for Financial Advisers
2	Various vocational certificates and awards Specialised Diplomas Vocational GCSE (grade A* - C) Apprenticeships, including key skills or functional skills Functional skills	GCSE grade A* to C	
1	Vocational GCSE (grade D – G) Specialised Diplomas	GCSE grade D to G	
Entry level		Cert of educational achievement	

\* Key skills are the skills that have been identified as those needed in order to succeed in education, work, and in life in general. The 6 key skills include communication, application of number, ICT, working with others, improving own learning and performance and problem solving.

**Table 2 – Financial Planning Qualifications**

<b>Awarding body</b>	<b>Qualification and Description</b>	<b>Required examinations / assessments</b>	<b>Hours of study and preparation</b>	<b>NQF Level</b>
Institute of Financial Planning	Certified Financial Planner. Qualification provides an internationally recognised advanced standard of financial planning application expertise	The CFP certification assessment requires advisors to complete a detailed financial plan based on a case study provided by the IFP. This is assessed to determine whether it meets the required standards of the institute.	It is expected that candidates will need to incorporate an average of 70 hours of coursework over a defined period	Not yet available – designation being sought at NQF level 6
Institute of Financial Planning	Fellowship of the Institute of Financial Planning  Qualification provides recognition of an adviser’s skills and knowledge at an advanced level	The FIFP assessment consists of two lengthy examination papers. Personal Financial Planning and Planning for Business Owners.	Not specified	Not yet available. IFP has no plans for NQF designation at present
Chartered Insurance Institute / Personal Finance Society	Certificate in Financial Planning  Qualification provides a regulatory minimum benchmark standard for financial advisers	Qualification provided on successful completion of 5 examination papers –  CF1 - UK financial services, regulations and ethics CF2 – Investment and risk CF3 - Financial protection CF4 – Retirement planning CF5 – Integrated Financial Planning	CF1 – 60 hours CF2 – 70 hours CF3 – 40 hours CF4 – 40 hours CF5 – 70 hours	NQF Level 3

<b>Awarding body</b>	<b>Qualification and Description</b>	<b>Required examinations / assessments</b>	<b>Hours of study and preparation</b>	<b>NQF Level</b>
Chartered Insurance Institute / Personal Finance Society	Certificate in Mortgage Advice  Qualification provides a regulatory minimum benchmark standard for mortgage advisers	Qualification provided on successful completion of 2 examination papers –  CF1 - UK financial services, regulations and ethics CF6 – Mortgage Advice	CF1 – 60 hours  CF6 – 70 hours	NQF Level 3
Chartered Insurance Institute / Personal Finance Society	Certificate in Equity Release  Qualification provides a regulatory minimum benchmark standard for advisers of equity release products	Qualification provided on successful completion of 3 examination papers –  CF1 - UK financial services, regulations and ethics CF6 – Mortgage Advice ER1 – Equity release	CF1 – 60 hours  CF6 – 70 hours  ER1 – 70 hours	NQF Level 3
Chartered Insurance Institute / Personal Finance Society	Certificate in Financial Planning and Long term care Insurance  Qualification provides a regulatory minimum benchmark standard for financial advisers who also provide advice on long term case insurance products	Qualification provided on successful completion of 6 examination papers –  CF1 - UK financial services, regulations and ethics CF2 – Investment and risk CF3 - Financial protection CF4 – Retirement planning CF5 – Integrated Financial Planning CF8 – Long term care insurance	CF1 – 60 hours  CF2 – 70 hours  CF3 – 40 hours  CF4 – 40 hours  CF5 – 70 hours  CF8 – 60 hours	NQF Level 3

Awarding body	Qualification and Description	Required examinations / assessments	Hours of study and preparation	NQF Level
Chartered Insurance Institute / Personal Finance Society	Diploma in Financial Planning  Qualification provides for a more advanced a standard of technical knowledge and understanding for financial advisers across a range of key areas	Qualification provided on attainment of sufficient credits by completing exams as detailed in <b>note 1</b> below	90 hours per subject	NQF Level 4

### Note 1

Diploma exams J01 to J07 are worth 20 credits and J08 is worth 30 credits. Candidates need to accumulate a minimum of 140 credits, 80 of which need to be at Diploma Level. The exams include:

J01 - Personal tax

J02 – Trusts

J03 – The tax and legal aspects of business

J04 – Pension funding options

J05 – Pension Income options

J06 – Investment principles, markets and environment

J07 – Supervision in a regulated environment

J08 – Financial planning practice (first sitting July 2009)

There are no mandatory subjects

Chartered Insurance Institute / Personal Finance Society	Advanced Diploma in Financial Planning  Qualification provides for a more advanced a standard of technical knowledge, understanding and application for financial advisers across a range of key areas	Qualification provided on attainment of sufficient credits by completing the exams detailed in <b>note 2</b> below	120 hours per subject	NQF Level 6
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### Note 2

Each of the following Advanced Diploma exams is worth 30 credits when passed. Candidates need to accumulate a minimum of 290 credits, 120 of which need to be at Advanced Diploma Level. A further 40 must be at Diploma level or above. The exams include:

AF1 - Personal tax and trust planning

AF2 – Business financial planning

AF3 – Pension planning

AF4 – Investment planning

AF5 – Financial planning process

AF5 is mandatory

Awarding body	Qualification and Description	Required examinations / assessments	Hours of study and preparation	NQF Level
ifs School of Finance	<p>Certificate for Financial Advisers</p> <p>Qualification provides a regulatory minimum benchmark standard for financial advisers</p>	<p>Qualification provided on successful completion of 5 examination papers detailed in <b>note 3</b> below.</p>	<p>CeFA 1 – 60 hours CeFA 2 – 60 hours CeFA3 – 60 hours CeFA 4 – 60 hours</p>	NQF Level 3

**Note 3**

CeFA1 - UK financial regulation

CeFA2 – Investment and risks

CeFA3 – Retirement planning and protection\*

CeFA4 – Assessment of investment advice knowledge

\*Two separate units to this module providing two separate exams one on pensions and one on protection

ifs School of Finance	<p>Certificate in Mortgage Advice and Practice</p> <p>Qualification provides a regulatory minimum benchmark standard for mortgage advisers</p>	<p>Qualification provided on successful completion of 3 examination papers –</p> <p>CeMAP 1 - UK financial regulation</p> <p>CeMAP 2 – Mortgages</p> <p>CeMAP 3– Assessment of mortgage advice knowledge</p>	<p>CeMAP 1 – 60 hours CeMAP 2 – 60 hours CeMAP 3 – 60 hours</p>	NQF Level 3
ifs School of Finance	<p>Certificate in Regulated Equity Release</p>	<p>Qualification provides a regulatory minimum benchmark standard for advisers of equity release products</p>	<p>CeMAP 1 – 60 hours CeMAP 2 – 60 hours CeMAP 3 – 60 hours</p> <p>CeRER – 60 hours</p>	NQF Level 3

Awarding body	Qualification and Description	Required examinations / assessments	Hours of study and preparation	NQF Level
ifs School of Finance	Diploma for Financial Advisers  Qualification provides for a more advanced a standard of technical knowledge and understanding for financial advisers across a range of key areas	Diploma completed by passing both an assignment (at least 50%) and final exam (at least 50%)	250 hours	NQF Level 4
Chartered Institute for Securities and Investment	Certificate in investments  Qualification provides a regulatory minimum benchmark standard for financial advisers	There are four “retail” pathways to this qualification as detailed in <b>note 4</b> below	Overall qualification 140 – 310 hours	NQF Level 3

**Note 4**

Certificate in Investments – Securities - Retail

Certificate in Investments – Derivatives – Retail

Certificate in Investments – Financial Derivatives – Retail

Certificate in Investments – securities and Financial Derivatives – Retail.

Depending upon the pathway chosen, advisers will need to complete the following:

One unit from:

FSA financial regulation or,  
Principles of financial regulation

One unit from:

Securities,  
Derivatives,  
Securities and financial derivatives,  
Investment management,  
Financial derivatives or Commodity derivatives

Final compulsory unit: Investment and risk

Awarding body	Qualification and Description	Required examinations / assessments	Hours of study and preparation	NQF Level
Chartered Institute for Securities and Investment	Certificate in Islamic Finance	Specialist benchmark advisory qualification for providing financial advice to people of the Muslim faith  Assessment is by means of a single examination	100 hours	NQF Level 3

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