

Definitions and Terms for Consumers Seeking Financial Advisory Services

Investment Adviser:

Many investment advisers are also brokers—but these two types of investment professional aren't the same. So as you choose among different professionals, here's what you need to know about investment advisers.

- **What they are:** An investment adviser is an individual or company who is paid for providing advice about securities to their clients. Although the terms sound similar, investment advisers are not the same as financial advisors and should not be confused. The term financial advisor is a generic term that usually refers to a broker (or, to use the technical term, a registered representative). By contrast, the term investment adviser is a legal term that refers to an individual or company that is registered as such with either the Securities and Exchange Commission or a state securities regulator. Common names for investment advisers include asset managers, investment counselors, investment managers, portfolio managers, and wealth managers. Investment adviser representatives are individuals who work for and give advice on behalf of registered investment advisers.
- **Who regulates them:** The SEC regulates investment advisers who manage \$110 million or more in client assets, while state securities regulators have jurisdiction over advisers who manage up to \$100 million. Advisers with less than \$100 million in assets under management (AUM) must register with the state regulator for the state where the adviser has its principal place of business. When a state-registered adviser's AUM reach the \$100 million threshold, the adviser may elect to register with the SEC—but when the adviser's AUM exceeds \$110 million, it generally must register with the SEC. It is important to find out exactly which services a professional who wears multiple hats will provide for you and what they will charge for their services.

Designations/Licenses

Certified Financial Planner (CFP®)

Issuing Organization: CFP® Board

Prerequisites:

Prospective candidate must meet the following requirements:

- The candidate must have a bachelor's degree (or higher), or its equivalent in any discipline, from an accredited college or university

Education Requirements:

- Must pass the comprehensive CFP® Certification Exam, which tests their ability to apply financial planning knowledge to real-life situations. The exam covers the financial planning process, tax planning, employee benefits and retirement planning, estate planning, investment management and insurance.

After the student passes the exam and meets one or more of the six primary elements of financial planning, he or she must also have completed the following:

- Three years full-time or equivalent (2,000 hours per year) part-time experience in the financial planning field
- Two years of full-time experience under the "Apprenticeship Experience" option, which requires experience focused exclusively on personal delivery of all the steps of the personal financial planning process to a client under direct supervision of a CFP professional (the Apprenticeship option became effective September 1, 2012)
- Be approved by the CFP Board during initial certification, which also involves an extensive background check—including an ethics, character and criminal check.

Examination Type:

- The CFP Certification Examination is a multiple choice, computer-based exam consisting of 170 questions, broken into two sessions separated by a 40-minute break. Candidates have up to three hours to complete each session. The exam includes two case studies, multiple mini-case problem sets and stand-alone questions designed to assess the student's ability to apply his or her knowledge of the aforementioned areas to financial planning situations

Continuing Education Requirements:

- To maintain certification, license holders are also required to complete thirty (30) hours of continuing education, of which two (2) hours the Board of Standards approved ethical information, on an ongoing basis in addition to paying a licensing fee every two years.

Chartered Financial Analyst (CFA)

Issuing Organization: CFA Institute

Prerequisites:

Prospective candidate must meet one of the following requirements:

- Be in the final year of a bachelor's degree program, OR
- Have four years of professional work experience, OR

- Have a combination of professional work and university experience that totals at least four years.

Education Requirements:

- Self-study program (250 hours of study for each of the three levels),
- Pass all three exams, AND
- Four years of professional work experience in the investment decision-making process (accrued before, during, or after participation in the CFA Program).

Examination Type:

- Three six-hour course exams

Continuing Education Requirements:

- None

Chartered Financial Consultant (ChFC)

Issuing Organization: The American College

Prerequisites:

- Three years of full-time business experience within the five years preceding the awarding of the designation

Education Requirements:

- Seven core and two elective courses, equivalent of 27 semester credit hours

Examination Type:

- Final closed-book, proctored exam for each course

Continuing Education Requirements:

- 30 CE credits every two years

Personal Financial Specialist (PFS)

Issuing Organization: The American Institute of Certified Public Accountants (AICPA)

Prerequisites:

Candidate must meet all of the following requirements:

- Be a member of the AICPA
- Hold an unrevoked CPA certificate issued by a state authority
- Have at least two years of full-time teaching or business experience (or 3000 hours equivalent) in personal financial planning within the five-year period preceding the date of the CPA/PFS application

Education Requirements:

- Minimum of 75 hours of personal financial planning education within the five-year period preceding the date of the PFS application

Examination Type:

- Final Certification Exam

Continuing Education Requirements:

- 60 hours (or its equivalent) of continuing professional education every three years

Series 65:

The Series 65 exam — the NASAA Investment Advisers Law Examination — is a North American Securities Administrators Association (NASAA) exam administered by FINRA.

The exam consists of 130 scored questions. Candidates have 180 minutes to complete the exam. In order for a candidate to pass the Series 65 exam, he/she must correctly answer at least 94 of the 130 scored questions.