



NEWS

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“The CFP Code of Ethics Must Include A Fiduciary Standard”
NAPFA submits comments on CFP Board of Standards’ Draft Code of Ethics

ARLINGTON HEIGHTS, IL (September 27, 2006) – The financial planning industry has long encompassed financial advisors who adhere to a fiduciary standard and those who do not. Unfortunately for many people, the choice to work with an advisor who does not hold to such a standard has taken its toll. Since 1983, the National Association of Personal Financial Advisors (NAPFA) has been one of the sole voices in educating consumers on the need for a fiduciary standard in the industry. Now NAPFA is pushing the CFP Board of Standards to adopt such a standard for the new CFP Board of Standards Code of Ethics.

In a letter to Sarah Ball Teslik, CEO of the CFP Board of Standards, NAPFA leaders outline four primary issues of concern as they relate to the Draft Code of Ethics. The four issues include:

Issue #1 – The optional fiduciary standard for a CFP certificant

Issue #2 – Changes to the definition of “Fee-Only”

Issue #3 – The aspirational nature of the code

Issue #4 – The terminology reflecting a suitability standard rather than a fiduciary standard

On Issue #1, NAPFA firmly believes financial advisors must adhere to a fiduciary standard and that the standard should not be optional. NAPFA’s recent public service campaign – ***Focus on Fiduciary*** – places advisors holding to a fiduciary standard on the same level as physicians and attorneys who both hold to such a standard. It is the organization’s belief that consumers will have greater faith in their financial advisor if they know they are providing advice with the client’s best interests in mind.

On Issue #2, NAPFA is concerned that the CFP Board of Standards will allow financial planners to say they are “Fee-Only” when in fact they work with some clients on a fee basis and earn commissions to product sales to other clients. NAPFA’s stance is firm in that “Fee-Only” indicates that the financial advisor receives no transaction based compensation from work with any client at anytime. This is one of the core principles followed by all NAPFA-Registered Financial Advisors.

On Issue #3, NAPFA wants the CFP Board of Standards to strictly enforce a Code of Ethics, not make it aspirational in nature. The Board wants to be the regulatory body of the profession and, therefore, must put rules in place that it will enforce while protecting consumers.

On Issue #4, NAPFA is concerned about including the weaker suitability standard terminology, rather than the stronger fiduciary standard. At no time should the recommendations made by an advisor be merely “suitable” for a client. Either the recommendation is in the best interests of the client, or it is not.

“If we are to be considered a profession, we need to set standards, have a system for certifying advisors, commit to using our knowledge for the public good, and have a code of ethics that protects the rights of the consumer,” said NAPFA National Chair Dick Bellmer. “The CFP Board of Standards has ambitions to be our profession’s self-regulatory organization, and it should therefore undertake steps commensurate with this worthy goal.”

If you are interested in learning more about NAPFA’s position on this important debate, or would like to secure a copy of NAPFA’s letter to the CFP Board of Standards, please contact Benjamin Lewis of Perception, Inc. at (301) 963-7555 or Benjamin.lewis@perceptiononline.com.

ABOUT NAPFA

Since 1983, The National Association of Personal Financial Advisors (NAPFA) has provided Fee-Only financial planners across the country with some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 1,000 members across the country, NAPFA has become the leading professional association in the United States dedicated to the advancement of Fee-Only financial planning.

For more information on NAPFA, please visit www.napfa.org.

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