

Wealth Management Credentials

Measuring an Advisor's Expertise

By Elizabeth Piper/Bach, JD, CIMA®, CFP®, CTFA

Many financial services designations today cover aspects of wealth management, but the sea of acronyms can be as confusing for you as it is for consumers. Here is a closer look at six certifications that you're likely to encounter as an investment advisor or wealth manager.

Certified Investment Management Analyst® (CIMA®). CIMA professionals work with individual and institutional clients as investment consultants, investment advisors, and investment managers, providing guidance on the investment process. Certificants must pass a “qualification

exam” (level one) and a “certification exam” (level two) focused on topics that include the investment consulting process, portfolio performance and risk measurement, traditional and alternative investments, and fundamentals such as statistics and methods, applied finance, and global capital markets his-

TABLE 1: COMPARISON OF PROFESSIONAL CREDENTIALS

	Experience Requirement	Education Requirement	Exam Pass Rates	CE Requirements	Public Disciplinary Process	Check Professional Status Online	Personnel Certification Accreditation ⁴
CIMA	3 years relevant experience; background checks	Executive Education at The Wharton School, University of Pennsylvania; The University of Chicago Booth School of Business; or Carnegie Mellon University's Tepper School of Business	57% (L1); 59% (L2) ¹	40 hours every 2 years (2 hours in ethics)	Yes	Yes	ANSI
CPWA	5 years relevant experience; background checks	Executive Education at The University of Chicago Booth School of Business	75% ¹	40 hours every 2 years (2 hours in ethics)	Yes	Yes	None
CFP	Undergraduate degree AND 3 years relevant experience; background checks	Must complete CFP Board registered program	63% ²	30 hours every 2 years (2 hours in ethics)	Yes	Yes	NCCA
CFA	Undergraduate Degree OR 4 years work experience; no background check	Self-study	38%(L1) 43%(L2) 54%(L3) ³	None	Yes	Yes	None
ChFC	3 years work experience; no background check	Must complete education program at American College	No Info	30 hours every 2 years	None	Yes	None
CTFA	3 years experience in wealth management AND completion of approved training program	ABA on-location schools or online	No Info	45 hours every 3 years	None	No	None

Note: Table 1 compares professional designations gathered via independent review and FINRA.org. For more information, visit <http://www.finra.org/Investors/ToolsCalculators/ProfessionalDesignations/>.

¹ Average qualification exam and certification exam first-time pass rates as of Q2 2013; view other pass-rate history at <http://www.imca.org/pages/exams>.

² March 2013 exam window; view other pass-rate history at <http://www.cfp.net/news-events/research-facts-figures/cfp-examination-statistics>.

³ Ten-year average pass rate, all exams; view other pass-rate history at http://www.cfainstitute.org/programs/cfaprogram/Documents/1963_current_candidate_exam_results.pdf.

⁴ Accreditation of certification programs is different than regional or Association to Advance Collegiate Schools of Business (AACSB) accreditation of educational institutions. All designations listed above offer education or review components through regional or AACSB accredited schools. For more information about accreditation standards and best practices for personnel certification, visit American National Standards Institute (ANSI) at (<https://www.ansica.org/wwwversion2/outside/PERgeneral.asp?menuID=2>) or National Commission for Certifying Agencies (NCCA) at <http://www.credentialingexcellence.org/p/cm/ld/fid=86>.



tory and valuation. CIMA professionals work for a range of firm types; roughly half are employed at large brokerage firms and more than a third serve as independent financial advisors (registered investment advisors or independent broker-dealers).

Certified Private Wealth Advisor® (CPWA®). The CPWA certification is designed for advisors who work with high-net-worth clients (defined as \$5 million or more of net worth based on the Investment Management Consultants Association® 2012 job task analysis). Advisors who hold the CPWA certification are well-versed in topics such as executive compensation, estate planning and wealth transfer, closely held businesses, and charitable giving. CPWA professionals often serve on teams that provide comprehensive advisory services to high-net-worth clients.

Certified Financial Planner® (CFP®). The CFP certification is the industry standard for financial planning. Certified professionals focus on holistic planning and helping clients navigate insurance, budgeting, and retirement needs. CFP professionals study and are tested on topics such as insurance planning, asset-protection planning, tax planning, and general financial planning and consulting. Financial planners are educated on a wide range of topics of importance to the mass affluent and middle class.

Chartered Financial Analyst® (CFA®). Issued by the CFA Institute and recognized around the globe, the CFA charter covers investment analysis and portfolio management skills. This program includes three exams that must be passed sequentially and are focused on topics such as investment tools, asset classes, and portfolio management and wealth planning. In the United States, more than 40 percent of charter holders work as research analysts or portfolio managers, according to the CFA Institute.

“Advisors who hold the CPWA certification are well-versed in topics such as executive compensation, estate planning and wealth transfer, closely held businesses, and charitable giving.”


Chartered Financial Consultant® (ChFC®). Issued by the American College of Financial Services, ChFC focuses on advanced financial planning for individuals, preparing advisors to address the needs of professionals and small business owners. Those who earn the certification gain in-depth understanding of financial planning disciplines, including insurance, income taxation, retirement planning, investments, and estate planning.

Certified Trust and Financial Officer® (CTFO®). Issued by the American Bankers Association (ABA), the CTFO certification is designed for trust officers, trust tax specialists, financial planners, and private bankers. Knowledge areas include tax law and planning, investment management, fiduciary and trust activities and ethics.

This is not an exhaustive list of the credentials you'll encounter. Stakeholders should ask the following five questions when evaluating a credential, and the Financial Industry Regulatory Authority (FINRA) addresses most of these on its website:

- Who offers the credential and why?
- Does the program have rigorous requirements for each of the “Four E’s” (experience, education, examination, and ethics)?
- Is there an independent disciplinary process that can cause certificants to lose their rights to hold the marks?
- What are the continuing competency requirements?
- Who certifies the certifier?

It's also important to understand the difference between certifications and certificate programs. Certificate programs—designed for newcomers and experienced professionals alike—entail completing a course and demonstrating knowledge before listing the achievement on a résumé. A certification program, on the other hand, typically requires a minimum experience level, indicates mastery and competency, permits use of letters after an individual's name, and has ongoing requirements. Simply put, a certification program is much more demanding and signifies additional expertise.

When you're working with other advisors, take a minute to examine their credentials. Understanding what the letters after their names mean can make a big difference in your partnership—and in how you work together to address your clients' needs. 

Elizabeth Piper/Bach, JD, CIMA®, CFP®, CTFO, is vice president and chief operating officer for NADA Retirement Administrators Inc., a subsidiary of the National Automobile Dealers Association in McLean, VA. She earned a BS in special education from St. Cloud University, an MEd from The George Washington University, and a JD from CUA Columbus School of Law. She is past-chair of IMCA's Board of Directors. Contact her at bpiperbach@nada.org.

