

CERTIFICATE IN FINANCIAL PLANNING

The Financial Planning Certificate (FPC) has been an important and influential qualification within financial services for some years now. Most people recognise that the regulatory insistence on advisers achieving a minimum knowledge level, confirmed by examination, was an important step forward and the FPC has been a vital part of implementing this requirement. It has had its faults, but the level and breadth of knowledge of advisers has increased hugely, due in no small part to its influence.

However, time moves on and changes to the exam structure have been necessary to bring it into line with the current market place and the developing regulatory requirements. As a result, the FPC is to be replaced by the Certificate in Financial Planning (CFP). The last FPC exams will take place in July 2005, giving a limited overlap with the CFP, for which most subjects will be examined for the first time in January 2005, with the remaining subjects following on in April.

Structure

The CTF has a basic 5 unit structure, broken down as follows:

Unit	Title	Format
CF1	UK financial services, regulation and ethics	100 multiple choice questions
CF2	Investment and risk	100 multiple choice questions
CF3	Financial protection	50 multiple choice questions
CF4	Retirement planning	50 multiple choice questions
CF5	Integrated financial planning	2 written case studies

Broadly speaking, CF1 is similar to FP1 in coverage, and provides the basic background necessary for anyone coming into an advisory role in financial services.

What used to be FP2 has been broken into 3 separate papers, with the investment and risk content in particular increased to a full 100 question paper (CF2). Protection and retirement planning each have 50 question papers (CF3 and CF4), which increase the content compared to FP2, but arguably the retirement planning area is worthy of more extensive coverage in the same way as investment.

The study materials and exam entry for CF3 and CF4 can be purchased together or separately, though combining the two reduces costs. These papers are also examined on the same day, so it seems likely that they will be seen as a 'package' and tackled together by most candidates. It is useful to be able to resit separately if necessary however.

Interestingly, all questions throughout CF1 to CF4 inclusive are in multiple choice format, with no multiple True/False questions of the type which have made up the last section of the current FP2 examination. In these questions, candidates are presented with a number (anywhere between 3 and 8) statements on a particular syllabus area, and must decide whether each one is true or false. A mark is only awarded if all statements are correctly classified. These questions are clearly more demanding than a standard multiple choice question and were justified on the basis that in some areas, it is important for candidates to know all aspects of a topic.

Although this is true, candidates generally disliked the questions, and most scored quite poorly. There was then a lack of differentiation from a marking point of view between good candidates who got most of the answers (but not all) right, and the random guesser, who would expect to get around half of them right. The questions also caused problems in

preparation, because candidates could not see a significant increase in their scores until quite a late stage and many found this demotivating.

In any event, this style has now been dropped and this decision by the CII will generally be welcomed.

The Integrated Financial Planning paper (CF5) will consist of two case studies and will be in written form, unlike the equivalents from the *ifs* and the Securities & Investments Institute, both of which have case studies with related multiple choice questions. The latter format opens the way to computer based examination of these subjects, but perhaps a written format gives the most reliable method of examining application skills. Results on this basis will however take time to come through, whereas the computer based approach allows instant results to be given to candidates.

The format of this exam will presumably resemble the existing FP3 paper, though the new paper will have two, rather than three cases to deal with. However, there are currently no sample questions available (these are due in January), so this is uncertain at present. The first sitting of this paper will be in April, whereas papers CF1 to CF4 are available in January.

There are also three specialised papers as follows:

Unit	Title	Format
CF6	Mortgage advice	100 multiple choice questions + 5 scenario based questions each with 5 related multiple choice questions
CF7	Lifetime mortgage activities	50 multiple choice questions + 5 scenario based questions each with 5 related multiple choice questions
CF8	Long term care insurance	50 multiple choice questions + 5 scenario based questions each with 5 related multiple choice questions

Of these, CF6 will be available in January, and CF7 and CF8 will be available from April.

For mortgage advisers, the combination of CF1 and CF6 will meet regulatory requirements, and will lead to the award of the Certificate in Mortgage Advice. The Certificate in Financial Planning and Lifetime Mortgage Activities requires CF1 to CF5 plus CF6 and CF7, whilst the Certificate in Financial Planning and Long Term Care Insurance will require CF1 to CF5 plus CF8.

The scenario based questions in these papers will be demanding, requiring candidates to absorb the details of a particular scenario and then apply their knowledge to the related questions. Only the CF6 sample paper is available at present, but this gives a useful insight into the level of difficulty involved.

Passmarks

The passmarks will be around 70% for all papers other than the written CF5, for which the passmark will be around 55%. There is the usual caveat that the passmark may be adjusted slightly to ensure that the standard is constant, and this is a necessary provision.

The estimated study hours required vary from paper to paper, ranging from 40 hours for the half-size CF3 and CF4 to 60 or 70 hours for the longer papers. In practice, the time needed by different candidates is likely to differ greatly.

Those advisers who already have the FPC will not be required to take the new CTF from a regulatory point of view. Those part way through studying will receive exemptions with FP1 giving exemption from CF1, and FP2 from CF3 and CF4 (not CF2). FP3 gives exemption from CF5. Those who have passed the half credit AFPC subject, Savings & Investment, will be exempted from CF2 however.

Many firms will see the launch of the new qualification as an opportunity to encourage advisers (particularly those who have not taken exams beyond the FPC) to demonstrate that they still have the required knowledge by taking at least some of the new papers. Given that investment and risk has been identified by the regulator as being an area of weakness for some, this may be a popular choice. Anyone who wants to sit in January should note that the closing date for entries at the standard fee is 17 December.

The CII has certainly produced a useful range of exams here, and they should stimulate new exam activity over the coming months and years.

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