

## THE DIPLOMA IN FINANCIAL PLANNING

The CII has announced details of the new Diploma in Financial Planning, which is the first stage in its planned replacement of the Advanced Financial Planning Certificate (AFPC). This will be followed up with a new range of examination units making up an Advanced Diploma, and a new Fellowship structure in 2007.

The AFPC has served the industry well, and provided a solid foundation for the advanced studies of many advisers and technicians, but it was designed almost 15 years ago, so an overhaul is certainly due. There are also transitional arrangements for candidates who are part way to completing their studies.

The Diploma is open to candidates who already have a Certificate level qualification, such as the CFP (or its predecessor, the FPC), or a similar qualification from another examining body, for example CeFA from the Institute of Financial Services (*ifs*). To qualify for the Diploma, candidates will need a minimum of 140 credits, of which at least 80 must be acquired by passing exams at Diploma level, such as the new range announced by the CII.

The other 60 credits can come from lower level exams (for example, passing the FPC would provide 50 credits towards this).

### New units

The new units announced by the CII are:

- 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

Each unit is worth 20 credits towards the total required for the Diploma.

The exam structure is similar to that which was initially used for the now withdrawn K10: Retirement Options AFPC half-credit unit. The exams are all similar, and consist of 15 short answer questions, all of which should be attempted, and the time limit is 2 hours. The indicative recommended study time is 90 hours per unit, though the time required by different individuals will vary widely in practice.

The first sittings of the new units will be in April 2006 with results released around two months later. The next sitting will be in October. Closing dates for entry will be 10 March and 1 September for entry at the normal fee, with late entry available until 7 April and 29 September subject to availability and an additional late fee.

### Coverage

We will look at some of the syllabuses for the new units in more detail in future editions of *Financial Planning Professional*, but clearly there is a lot of similarity between the overall content of these units and the existing AFPC units. This is not surprising since the Diploma addresses an essentially similar requirement.

Having said that, the breaking down of some of the material, for example, taxation in one paper, and trusts in another, is very welcome. Many candidates found the scope of the existing G10: Taxation and Trusts unit daunting, and the time required for study is not always easily found. Although many advisers passed G10, there is no doubt that many more advisers might have benefited from doing so (or at least benefited from the study involved). This particularly includes those with a less academic approach, and perhaps some older advisers, for whom the days of formal education are some time distant.

The new approach gives much more manageable subject areas to study, and the two hour short answer format is easier to deal with, but can still test knowledge to an appropriate degree. There were difficulties with the K10 and K20 (Pension Investment Options) units initially when they adopted a similar structure, because of the quantity of information candidates were asked to reproduce in a tight timescale, but hopefully the lesson will have been learned and the problem will not recur with the new units.

One issue with all exams is that a lot of information needs to be learnt for the exam, even though it will not be retained in the long term, because it is information which is readily available in reference material. Indeed for information of this sort which is subject to change, it is best practice to look up rather than try to remember. The value is in knowing that the information is there in the first place, and seeing its application, so it is a sound approach to exam setting. However, this is an area where the scope of the AFPC units could cause overload, and the new Diploma units should provide a major benefit in reducing this problem.

The pensions area is a difficult puzzle at the moment, with simplification changing the face of pensions markedly. The coverage (and particularly the testing) at Certificate level in the CF4 unit is fairly sketchy, and the two units in the new Diploma will extend the required knowledge considerably. However, there will be demand for more specialised attention to this important area, and probably this will be fulfilled in the Advanced Diploma when unveiled. Particularly the aspects linked to DWP sponsored legislation, including the Pensions Regulator and the new funding requirements for defined benefit schemes are likely to warrant more in-depth coverage.

The J06 unit (Investment principles, markets and environment) looks an interesting addition to the range. The syllabus resembles the existing G70: Investment Portfolio Management more than G20: Personal Investment Planning, and is more concerned with investment principles generally rather than product detail (though some product-related information is included). Advisers who want to update and extend their investment understanding will be attracted to this paper as a useful approach, and many firms could usefully support this.

Transition

A number of AFPC units have already been withdrawn (K10, K20 and H25: Holistic Financial Planning) following the last sitting in October. The remaining units continue to be available in April and October 2006. Each full unit passed will provide 30 credits, which will count towards the Diploma and will eventually count towards the Advanced Diploma when launched in 2007. The now withdrawn 'half-credit' units such as K10 and K20 will count as 20 credits each on the new basis.

The transitional rules are available in detail on the CII website at [www.cii.co.uk](http://www.cii.co.uk) and those who are potentially affected should refer to these.

Whether it is better for an individual to stick with the AFPC or move directly into the new range of subjects will be a matter for careful consideration and discussion with a supervisor if relevant. Those who have struggled to find the time to deal with the scope of the AFPC subjects will probably want to switch, but those who have already done some study, or perhaps have suffered a narrow fail, may decide to continue.

Another consideration will be cost. Although, for example, the new J01 and J02 units look to add up broadly to the old G10, the costs of each of the new units is the same as one of the old. The result is that taking J01 and J02 will cost twice as much as taking G10.

There may be clashes in terms of exam timing, so this should also be checked carefully, particularly if a mix of old and new is attempted.

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