Making Sense of Financial Credentials

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By Elizabeth Brokamp

Acronyms are supposed to make long phrases easier to say and remember. But, unfortunately, in the financial world, they can also make questionable credentials look all too legitimate. There are all sorts of folks out there who want to manage your money, some of them better qualified than others. Do your due diligence by finding out who is managing yours.

Four of the most well-respected designations that you'll commonly encounter are CFP (certified financial planner), CFA (chartered financial analyst), CPA (certified public accountant), and PFS (personal financial specialist). These aren't the only financial designations (and new ones sprout up all the time), but they are among those that require a high level of knowledge and training. But with all the acronyms and fancy titles out there, how do you size them up to see if they're legit?

Here are some tips for identifying backgrounds that have been — to put it kindly — "surgically enhanced":

1. Investigate the credentialing body that sponsors the designation. Pop the name into your favorite search engine and see what comes up: Is there a website that details the credentialing requirements? Is there a database where you can locate the names of members in good standing? A mere presence on the Web isn't an endorsement, of course, but the larger, more respected credentialing boards should have sites that detail all of the ins and outs of the credential they offer, as well as contact information to handle any questions. You'll also want to ask about the requirements for the designation; the best credentials require several years of relevant work experience, adherence to a code of ethics, extensive education, and, often, an exam.

2. Investigate the individual. Unfortunately, it's possible for a huckster to use bogus credentials to gain your confidence. It's also possible that a properly credentialed financial professional will have a less-than-stellar record about which you should know. To prevent wasting money on either one, do several things:

BrokerCheck, to see if your financial professional has a disciplinary history.

3. Be wary of generic titles, advises FINRA. Anyone can use these titles — financial analyst, financial advisor, financial consultant, financial planner, investment consultant, or wealth manager — without having any special expertise, training, or experience. Likewise, when people use titles like "vice president," don't assume that they are the best and brightest. Companies have been known to share the wealth when it comes to titles — anything to help their salespeople sell.

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