



Prepping Aspiring Planners for Success on the CFP® Certification Examination

Certified Financial Planner™ Professional turned recruiter and consultant, Caleb Brown, who is now placing college graduates in entry level financial planning positions as a partner in New Planner Recruiting, LLC www.newplannerrecruiting.com offers tips to aspiring financial planners in how to successfully navigate the CFP® exam.

“As I talk with aspiring financial planners throughout the country,” says Brown, “I see a lot of uncertainty and confusion surrounding the CFP® exam. This guide is to help prepare aspiring planners for passing the exam on their first attempt. Aspiring planners who want to work with clients in the financial planning environment must obtain their CFP® certification to succeed with clients and in their career.”

Background

The CFP® exam is a rigorous professional examination similar to the Bar (legal) and CPA (accounting) exams. Prior to the November 2014 test date, the exam consisted of 285 questions over a total of ten hours - four hours on a Friday afternoon session, three hours in a Saturday morning session and three hours in a Saturday afternoon session. However, beginning with the November 2014 exam date the structure has changed substantially. It is now computer based and consists of 170 questions over the course of two 3-hour sessions separated by a scheduled 30-minute break. It is graded on an overall pass/fail basis which, unlike the CPA exam, means if you do not do well on one of the sessions you might have to retake the entire test over again instead of just the section in which you performed poorly. The exam is still given three times per year in March, July, and November during 5-day testing windows. The fee for U.S. residents to take the exam is \$595. It is worth noting that if you are a [Student Member of the Financial Planning Association](#), you are eligible for a \$200 discount reducing your cost to take the exam to \$395. More details on the exam can be found here: <http://www.cfp.net/become/exam.asp>

Do's and Dont's when preparing for the CFP® exam

Do's:

- **Set expectations.** Make sure you understand the rigorousness of the exam and that pursuing an undertaking of this magnitude is not for everybody and will require a lot of discipline and hard work for a favorable outcome. You must have time to adequately prepare. Planning a wedding, remodeling a home, taking a trip around the world, etc. while studying is not suggested.
- **Develop a routine.** Especially those who lack organization and need structure. A set routine is an absolute must for an undertaking such as the CFP® exam and will keep you motivated when you do not feel like studying. **Personal anecdote:** I graduated in December and planned to take the July exam. I purchased the review materials in April and began working questions on my own before the live review, I enrolled in, that began in June. I studied about four hours per day usually an hour in the morning, one hour during lunch and a couple hours in the evening. I took one day off during the weekend. When the review course started, we met three nights per week for two hours and were assigned readings and question sets on the off nights. The first two weekends in July were intensive study sessions set aside for case studies and practice tests. Frankly, the greatest benefit I received from the live review was it forced me to study and stay on schedule. Just so you have a reference point, I spent ~350 hours preparing.
- **Create an organized study plan.** There are lots of guides in the study materials provided by the various industry vendors. If you are not careful about planning your study time and setting incremental goals, and are not structured, your study plan is doomed before it even begins. **Personal anecdote:** I read the chapters first then worked through the questions. I created an answer sheet that I used so I could track any trends that developed. In the answer sheet, I had a space for comments where I actually wrote out the full correct answer to questions I missed. To train my mind to move from one topic to another ad hoc and seamlessly, when I read a section about stock options, I would then turn to a non-associated question area such as estate planning. The continual shifting between topics helped prepare me for the random order of topics on the exam. Although many students purchased commercially prepared flashcards to quiz themselves, I created my own flashcards. The process of making the flashcards helped solidify the information for me. This is one example of how the study plan should be tailored to individual learning styles and preferences, e.g., visual learner, conceptual, kinesthetic, etc.
- **Focus on weaker areas first.** You should attack the areas you are the weakest in and plan to spend the most time shoring up these areas. This is difficult as most test takers will want to focus on the topics they know the best. **Personal anecdote:** I did not particularly care for estate and tax planning and knew I had a long way to go in those areas before the big day so I built that into my study plan. I made those areas my top priorities and worked my way down the list of technical subjects where I ended up reviewing the topics I enjoyed the most and was strongest in last.

- **Use multiple review providers' materials.** The more questions you can work, the higher chance of success. **Personal anecdote:** Once I had completed all of the questions in the primary review materials twice, I purchased additional review materials from another vendor. This is important because the tendency is to get used to the way questions are being asked which can impair the ability to accurately study the material due to developing certain biases. Basically, you avoid getting too familiar with the way one company asks the questions. For some information on the review providers, visit <http://newplannerrecruiting.com/resources/>
- **Utilize your network of alumni or local FPA/NAPFA chapter for assistance.** Find CFP® practitioners whom you can ask to mentor you to help prepare for the real life questions you will face. **Personal anecdote:** I made a few visits to the planner's office I was going to work for after the exam and he would quiz me on client situations and ask me what I would do and why type scenario questions. This really helped me prepare. The test is difficult for aspiring planners, especially those without experience, because most questions are structured as "if a client walks in and has this, or says this, based on what you know about their situation, what you would recommend?" You have to know the material thoroughly, to get these types of questions right.
- **Read the questions very carefully.** Watch the exception to the exception. The questions are fair even though most of them have several answers that could work, but the exam writers want to test your knowledge on selecting the *best* answer. **Personal anecdote:** Some of my exam study peers would read the answers to the question prior to reading the question and some had success with that method. I just made sure I read the question multiple times the first time at normal speed and the second read with less speed. During the multiple readings, I tried to develop my own answers before looking at the answer choices and thought about ways the test writers could be trying to lead me astray.
- **Watch your time.** There will be item sets (mini case studies) and comprehensive case studies in each test session - these can consume a lot of time if you aren't careful because there can be quite a bit of irrelevant information that is given. Managing time effectively is critical. During the practice study sessions, striving for 1.5 minutes per question is an ideal target. **Personal anecdote:** Sometimes you might not have time to read the questions twice as I mentioned previously. If you don't know the answer to something, narrow it down the best you can and guess.
- **Exam day pointers.** When I took the exam, water was not allowed in the testing center. I brought two pencils for the scantrons (which are no longer in use), financial calculator, a back-up battery for the calculator, and some test takers even brought a backup calculator. Arrive at the test center early find out where to go and make sure you bring all the necessary items most importantly your ticket to enter the exam room. For more information on what to expect on test day, click here <http://bit.ly/PrometricCFPExam> **Personal anecdote:** I was sitting close to a gentleman who did not know how to work his calculator and it kept beeping which was very distracting. You cannot bring your own, but you might want to consider asking the proctor for ear plugs to help ensure you have a peaceful environment to facilitate total concentration.

- **“Should I take exam immediately after graduation or wait?”** This is by far the most frequently asked question. The answer is different for everyone and I have attempted to provide some guidance below, but the short answer is you need to take the exam at the time it best fits with your personal and professional schedule. Some elect to take it directly after graduation while the information is still fresh and others choose to obtain full time employment and take after they have built some relevant industry experience.
 - Hurdles to taking directly after graduation
 - Cost – currently \$595 per attempt.\$395 if you are a Student Member of the Financial Planning Association. Or the exam could be free to you if you apply and are awarded one of the New Planner Recruiting, LLC CFP® exam scholarships. Find out more here: <http://bit.ly/NPRCFPEXamScholarship>
 - If you haven’t had the opportunity to see very many financial planning situations and provide advice on those situations, it is going to be difficult to pass since that is the makeup of the majority of questions.
 - Benefits to taking directly after graduation
 - Information is fresh on your mind.
 - You likely have not started your full time job yet thus giving you time and flexibility in your study plan.
 - You can be more marketable to a potential employer if you can say you have taken and passed the exam. This solidifies your skill set, passion, and commitment to the profession.
 - Hurdles to waiting until after becoming employed
 - You may become so immersed in learning a new position, new firm, and adjusting to being out of college you cannot focus on preparing for the exam.
 - Just because you might be employed full time in a financial planning firm does not necessarily mean you will be working with clients on analyzing situations and developing strategies.
 - Benefits to waiting until after becoming employed
 - Access to other senior advisors who can coach and mentor you on what to expect, provide real life case studies, or simply help with the everyday client planning work to gain confidence and experience.
 - You might have the opportunity to work on client situations better preparing you for the questions you will face.
 - Having the exam and exam prep materials paid for as part of your compensation. Although the statistics show that when you do not pay for the

exam and materials yourself, you tend to not fare as well as your counterparts who did. <http://www.fa-mag.com/component/content/article/1-features/774.html?t>

Don'ts:

- **Take the exam for granted.** Trying to cram at the last minute greatly reduces your odds of passing the exam. Also relying on the live reviews in lieu of studying a regular amount each day will not suffice. Frankly, the battles are won and lost each day when you have focused study time and are going through the material, exam questions, etc. voraciously.
- **Focus too much on studying the area you know and enjoy.** For example, only studying retirement plans or investments because you are interested in them and they are the most fun. This reason and not putting in the overall study time are what I believe to be the biggest reasons aspiring planners do not pass the test on their first attempt.
- **Get hung up on one question.** Don't waste time by getting hung up on one question. If you come across something you have never seen, guess and move on. **Personal anecdote:** I remember coming across a question on an investment instrument I had never heard of. It was not discussed in any of the review materials I had so I calmly reminded myself not to let it shake me, guessed, and moved on. You will certainly encounter questions that you do not know how to answer and when you do, you must remember that you can afford to get some questions wrong. E.g. you aren't going up against your peers next to you and you don't have to achieve an arbitrary passing percentage such as 70%. The exam is instead scored on a modified Angoff system which scores test takers on a pre-established level of competency. See more here: <http://bit.ly/CFPEExamScoring>
- **Neglect your calculator skills.** Even though there may be fewer calculation questions (a buzz I have heard recently), you need to have a thorough understanding of your financial calculator. Good mastery of your calculator can help you squeeze out a few extra points.
- **Be tempted to talk to other people to see how you did.** After the first session, you will only get frustrated and discouraged trying to compare answers with others. You don't want to second guess yourself. You need to be positive going into the next section.
- **Study in between sessions.** Furthermore, don't pull out any books or study the night before. Just like anything else if you don't know the material by test time there is little, if anything, you can do to learn it really quickly and since the exam is not regurgitation it is a waste of time to try. **Personal anecdote:** I went out, had dinner with friends went back to the room and went to bed early.
- **Panic!** When you are at your workstation and begin you would be wise to channel the nervous energy to giving each question the time and attention it deserves. Positive thoughts and reminding oneself of a can do attitude is helpful here as well.

Other tips: I would avoid trying to spend a lot of time listening to other people who are certain they can tell you what will be on the exam. The feedback that I have gotten on those types is they are a lot like economists and weatherman – right about half the time and wrong about half the time. I do feel that test takers should try to anticipate though what they might see based on what trends are developing in the industry. My sense is that there are now probably more questions about Medicare, long term care, annuities, social security, college planning, ETFs, etc. than there were when I took the exam. Again if you seek a true and full understanding of the material, you should do well. Also, realize that now that the exam is much shorter, 115 fewer questions, there is very little room for off the wall/obscure type questions, that used to pop up frequently, because the CFP Board still has to test the core competencies and they have fewer questions to do so.

Future CFP® examination guidance:

The CFP Board is in the process of completing the 2014 Job Analysis Study to determine what should be tested. However, the below information was taken from the CFP Board of Standards July 15, 2011 Business Update Webinar as well as a presentation by Steven E. Barkley, CAE, Director of Examinations at the 2010 CFP Board Program Directors' Conference .

In the past the exam was topic focused, 7 subject matter areas defined by discipline (retirement, investments, etc.), 89 major topics and 694 subtopics. After the 2009 Job Analysis study was performed, CFP board will be adjusting the exam beginning with the March 2012 examination to focus more on Job Tasks versus solely technical topics. Now the exam will be structured as 8 Job Task Domains modeling the financial planning process, 97 job tasks, and 78 principal topics. The basis for the new exam blueprint is:

1. Establishing and defining the client planner relationship (8%)

- A. Identify the client (e.g., individual, family, business, organization)
- B. Discuss financial planning needs and expectations of the client
- C. Discuss the financial planning process with the client
- D. Explain scope of services offered by the CFP® professional and his/her firm
- E. Assess and communicate the CFP® professional's ability to meet the client's needs and expectations
- F. Identify and resolve apparent and potential conflicts of interest in client relationships
- G. Discuss the client's responsibilities and those of the CFP® professional
- H. Define and document the scope of the engagement with the client
- I. Provide client disclosures
 - 1. Regulatory disclosure
 - 2. Compensation arrangements and associated potential conflicts of interest

2. Gathering information necessary to fulfill the engagement (9%)

- A. Identify the client's values and attitudes
 - 1. Explore with the client their personal and financial needs, priorities and goals

2. Explore the client's time horizon for each goal
3. Assess the client's level of knowledge and experience with financial matters
4. Assess the client's risk exposures (e.g., longevity, economic, liability, healthcare)
5. Assess the client's risk tolerances (e.g., investment, economic, liability, healthcare)

B. Gather Data

1. Summary of assets (e.g., cost basis information, beneficiary designations and titling)
2. Summary of liabilities (e.g., balances, terms, interest rates). Summary of abilities (e.g., balances, terms, interest rates)
3. Summary of income and expenses
4. Estate planning documents
5. Education plan and resources
6. Retirement plan information
7. Employee benefits
8. Government benefits (e.g., Social Security, Medicare)
9. Special circumstances (e.g., legal documents and agreements, family situations)
10. Tax documents
11. Investment statements
12. Insurance policies and documents (e.g., life, health, disability, liability)
13. Closely held business documents (e.g., shareholder agreements)
14. Inheritances, windfalls, and other large lump sums

C. Recognize need for additional information

3. Analyzing and evaluating the client's current financial status (25%)

A. Evaluate and document the strengths and vulnerabilities of the client's current financial situation

1. Financial status
 - a. Statement of financial position/balance sheet
 - b. Cash flow statement
 - c. Budget
 - d. Capital needs analysis (e.g., insurance, retirement, major purchases)
2. Risk management and insurance evaluation
 - a. Insurance coverage
 - b. Retained risks
 - c. Asset protection (e.g., titling, trusts, business form)
 - d. Client liquidity (e.g., emergency fund)
3. Benefits evaluation
 - a. Government benefits (e.g., Social Security, Medicare)
 - b. Employee benefits
4. Investment evaluation
 - a. Asset allocation
 - b. Investment strategies
 - c. Investment types
5. Tax evaluation
 - a. Current, deferred and future tax liabilities

- b. Income types
 - c. Special situations (e.g., stock options, international tax issues)
 - 6. Retirement evaluation
 - a. Retirement plans and strategies (e.g., pension options, annuitization)
 - b. Accumulation planning
 - c. Distribution planning
 - 7. Estate planning evaluation
 - a. Estate documents
 - b. Estate tax liabilities
 - c. Ownership of assets
 - d. Beneficiary designations
 - e. Gifting strategies
 - 8. Business ownership
 - a. Business form
 - b. Employer benefits
 - c. Succession planning and exit strategy
 - d. Risk management
 - 9. Education planning evaluation
 - a. Sources of financing
 - b. Tax considerations
 - 10. Other considerations
 - a. Special circumstances (e.g., divorce, disabilities, family dynamics)
 - b. Inheritances, windfalls, and other large lump sums
 - c. Charitable planning
 - d. Eldercare (e.g., CCRCs, LTC, Nursing Home)
- B. Identify and use appropriate tools and techniques to conduct analyses (e.g., financial calculators, financial planning software, simulators, and research services)

4. Developing the recommendations (25%)

- A. Synthesize findings from analysis of client's financial status
- B. Consider alternatives to meet the client's goals and objectives
 - 1. Conduct scenario analysis (e.g., changing lifestyle variables)
 - 2. Conduct sensitivity analysis (e.g., changing assumptions such as inflation rate, rates of return, time horizon)
- C. Consult with other professionals on technical issues outside of planner's expertise
- D. Develop recommendations
 - 1. Considering client attitudes, values and beliefs
 - 2. Considering behavioral finance issues (e.g., anchoring, overconfidence, recency)
 - 3. Consider interrelationships among financial planning recommendations
- E. Document recommendations

5. Communicating the recommendations (9%)

- A. Present financial plan to the client and provide education
 - 1. Client goals review
 - 2. Assumptions

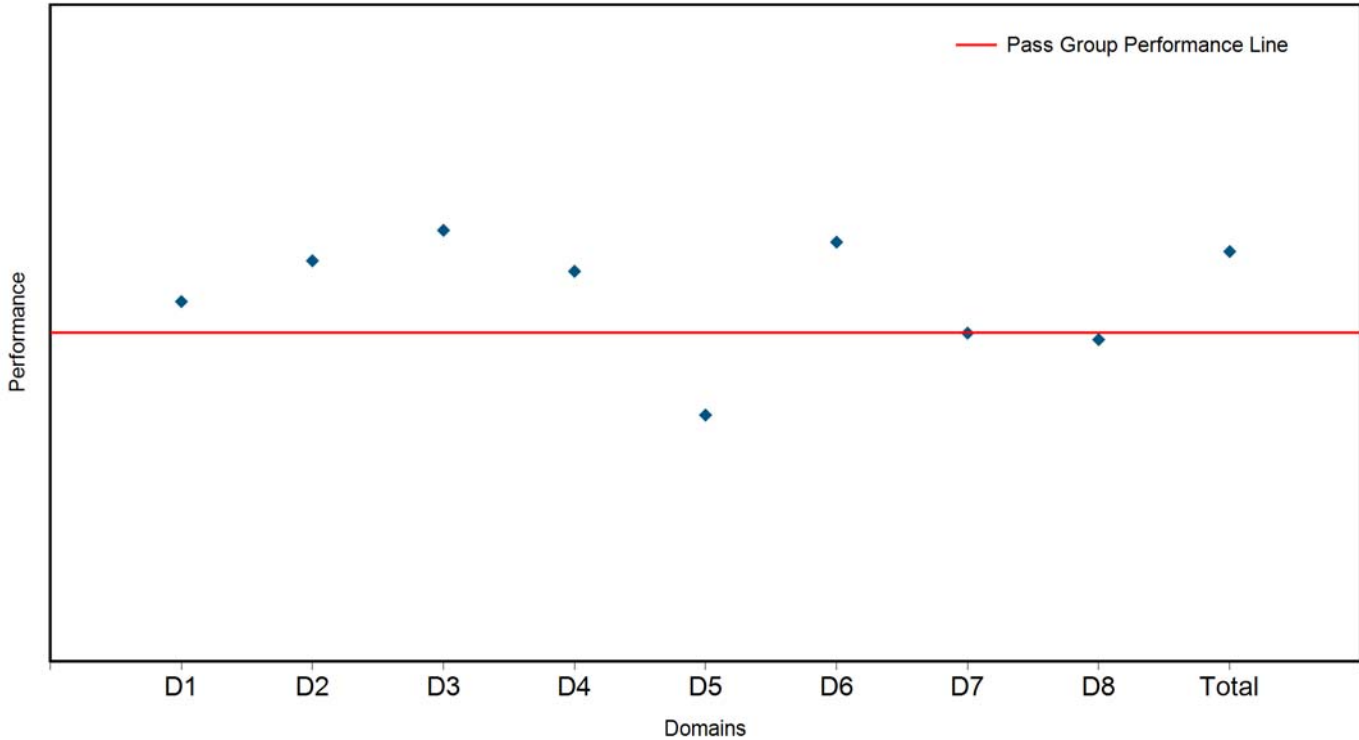
3. Observations and findings
 4. Alternatives
 5. Recommendations
 - B. Obtain feedback from the client and revise the recommendations as appropriate
 - C. Provide documentation of plan recommendations and any applicable product disclosures to client
 - D. Verify client acceptance of recommendations
- 6. Implementing the recommendations (9%)**
- A. Create a prioritized implementation plan with timeline
 - B. Assign responsibilities (e.g., CFP® professional, client, and other professional(s))
 - C. Support the client directly or indirectly with implementation of the recommendation(s)
 - D. Coordinate and share information, as authorized, with others
 - E. Define monitoring responsibilities with the client (e.g., explain what will be monitored, frequency of monitoring, communication method(s))
- 7. Monitoring the recommendations (5%)**
- A. Discuss and evaluate changes in the client's personal circumstances (e.g., aging issues, change in employment)
 - B. Review the performance and progress of the plan with the client
 - C. Review and evaluate changes in the legal, tax and economic environments
 - D. Make recommendations to accommodate changed circumstances
 - E. Review scope of work and redefine engagement as appropriate
 - F. Provide client ongoing support (e.g., counseling, education)
- 8. Practicing within the professional and regulatory standards (10%)**
- A. Adhere to CFP Board's *Code of Ethics and Professional Responsibility and Rules of Conduct*
 - B. Understand CFP Board's *Disciplinary Rules and Procedures*
 - C. Work within CFP Board's *Financial Planning Practice Standards*
 - D. Manage practice risk (e.g., documentation, monitor client noncompliance with recommendation(s))
 - E. Maintain awareness of and comply with regulatory and legal guidelines

Be aware that these breakouts could change based on the results of the 2014 Job Analysis Study. Finally, below is a sample Diagnostic Summary Report that you will receive approximately three weeks after your exam date showing your performance.

Diagnostic Summary Report

July 2013 CFP® Certification Examination

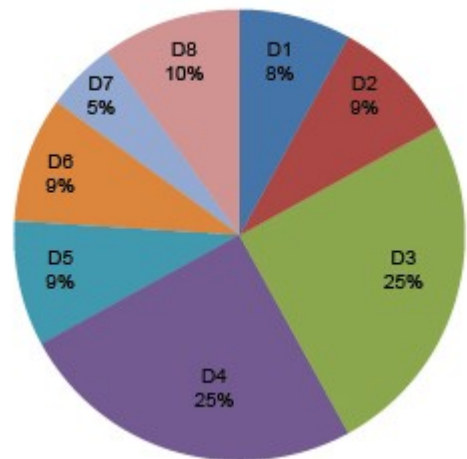
Candidate and Pass Group Performance



D1: Establishing and Defining the Client-Planner Relationship	D5: Communicating the Recommendation(s)
D2: Gathering Information Necessary to Fulfill the Engagement	D6: Implementing the Recommendation(s)
D3: Analyzing and Evaluating the Client's Current Financial Status	D7: Monitoring the Recommendation(s)
D4: Developing the Recommendation(s)	D8: Practicing within Professional and Regulatory Standards

The graph above is based upon standardized scores computed on the performance on exam questions in each of the eight Domains and the Total exam. The group of candidates that passed the exam is used as the reference group. This allows candidates to compare their exam performance with the performance of candidates that passed the exam. Performance at or above the Pass Group Performance Line indicates areas of Domain strength, and conversely, performance below the Pass Group Performance Line indicates Domains where your performance was a relative weakness. The determination of Pass or Fail outcome is based upon Total exam performance, and weakness in one or more Domains can be offset by strong performance in other Domains. Your Total exam performance provides an indication of how similar your exam performance was to those who passed the exam.

Exam Composition by Domain



Caleb Brown, MBA, CFP®

Caleb is a CERTIFIED FINANCIAL PLANNER™ certificant, Kolbe Certified™ Consultant, and original creator of the FPA Career Day program, which began with the Dallas/ Ft. Worth chapter and subsequently, has been implemented by other FPA chapters across the nation. Throughout Brown's career, he has mentored, hired, managed, and coached many career changers and college students seeking internships and full time positions in financial planning as well as the firm owners who hire them. Brown is a frequent speaker on career development topics pertaining to the hiring and successful integration of new planners into financial planning firms. He has been featured in Investment News, Dow Jones, NAPFA Advisor, Financial Planning, Financial Advisor, Virtual Office News, FPA Solutions, and the Journal of Financial Planning regarding his efforts to create a career path for up and coming planners.

Caleb formed New Planner Recruiting in 2009 to source, screen and integrate new financial planners in financial planning firms nationwide. He was named the Next Generation Influencer by Financial Planning magazine for 2012 and one of the top 25 most influential people in the industry by Investment Advisor for 2014. He is a member of NAPFA and FPA and recently completed three years of service on the FPA NexGen leadership committee. He is a graduate of the Texas Tech Personal Financial Planning Program and spent over five years in an RIA firm in North Texas helping a sole practitioner transition the firm to an ensemble model.



www.newplannerrecruiting.com