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Learning by doing: offering a university practicum in personal financial planning

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Abstract

Given the importance of interpersonal relationships in the financial planning process, it is surprising that relatively few registered financial planning programs explicitly provide students the opportunity to meet with real clients on a one-to-one basis. This paper describes the structure of a financial planning practicum developed for the purpose of providing such experience to future financial planners. It is hoped that this information will encourage others to consider offering experiential learning opportunities to those seeking positions in the financial services industry. © 1999 Elsevier Science Inc. All rights reserved.

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1. Introduction

Over the last two decades, the practice of personal financial planning has evolved from a relatively narrow specialty undertaken largely by accountants, attorneys, and insurance agents, into a profession unto itself, characterized by certification testing, professional designations, and self-regulating bodies. One thing that hasn't changed, however, is the importance of the client-planner relationship. Successful financial planners must be able to inspire trust, dig deeply into their clients' financial histories, and convey complicated

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information in an understandable fashion. In short, they must be adept at building and maintaining long-term relationships with clients whose backgrounds place them at various levels of the socioeconomic stratum. Teaching relationship skills is, unfortunately, more challenging than teaching a particular theory or financial model, because it requires person-to-person interaction. This paper describes one institution's experience in designing and offering a "practicum" in financial planning, the purpose of which is to provide prospective financial planners experience in dealing with actual clients on a one-to-one basis.

2. The education of a personal financial planner

At the end of June, 1999, ninety-nine American colleges and universities offered Certified Financial Planner programs registered with the Certified Financial Planner Board of Standards (hereafter "CFP Board"), owners and licensors of the Certified Financial Planner ("CFP") designation. Of the programs registered, approximately half are for-credit programs leading to undergraduate or graduate degrees, and the remaining programs are not-for-credit, continuing education, or university extension-based programs.[1]

Registration of a program with the CFP Board primarily entails satisfying requirements as to topical coverage and instructional quality (as indicated by the credentials of the instructors). From the viewpoint of the student, completion of the courses in a registered program provides a "gateway" through which one is allowed to sit for the Certified Financial Planner certification examination. (It should be noted that, in order to be registered as a Certified Financial Planner licensee and to use the CFP mark, one must not only pass the certification exam, but must also fulfill a work experience requirement and agree to abide by the CFP Board "Code of Ethics and Professional Responsibility." Special regulations apply to those with other related certifications and educational attainments.)

Interestingly, examination of several university-based programs reveals substantive differences in program configurations. While virtually all of the registered programs considered offer courses in the fundamental topical areas covered by the CFP examination—investment planning, income tax planning, insurance planning, retirement planning, and estate planning, a relatively small number of programs offer the opportunity for "hands-on" experience for students.[2,3]

3. The practice of financial planning and the need for interpersonal skills

Financial planners work in a "relationship business." As such, the ability to interact positively with clients and to develop long-term relationships is crucial to the development and long-term growth of a successful financial planning practice. In describing the qualities possessed by successful financial planners, Rowland (1997) states that "good interpersonal skills and the ability to build relationships" are of key importance. (p. 43) Further, she suggests that the ability to educate clients (which, in turn, suggests communicative ability) is of crucial importance to the financial planner. In the words of a planner interviewed by

Rowland: "There's something crucial about the educational process, about *communicating concepts and ideas and helping people to learn*." (Rowland, p. 44)

The importance of the client-planner relationship is also reflected in the following quote from Evensky's *Wealth Management* (1997):

> As is the case with any professional financial planner, the wealth manager's focus is his client. His efforts are devoted to helping clients achieve life goals through the proper management of their financial resources. Whereas the money manager may not necessarily know if his client is male or female, single or married, a doctor, lawyer or candlestick maker, *the wealth manager will know all this, as well as the client's hopes, dreams, goals, and fears.* (p. xiv, italics added)

Further, the importance of relationship-building is evident in the explication of the six-stage "Financial Planning Process" promoted by the CFP Board:

(1) Establishing Client-Planner Relationships
(2) Gathering Client Data and Determining Goals and Expectations
(3) Assessing Client's Financial Status
(4) Developing and Presenting the Financial Plan
(5) Implementing the Financial Plan
(6) Monitoring the Financial Plan

Clearly, the essence of the financial planning process is meeting with clients, gathering detailed (and sometimes sensitive) information about their personal lives, and making recommendations for changes in behaviors and beliefs that may go back decades. As such, interpersonal skills such as listening, questioning, and empathizing are as important as the analytical skills necessary to prepare, implement, and monitor the financial plan.

But how (and how often) are interpersonal skills taught? A popular set of CFP examination self-study materials frequently mentions the interpersonal aspects of the job but provides little in the way of direct training in this area.[4] And, as noted above, relatively few programs explicitly offer students the opportunity to interact with "real" clients in a carefully designed and monitored educational environment.[5] In short, while interpersonal adeptness is an important part of the skill set required of practicing financial planners, it appears to be given less prominence than the technical skills in many financial planning educational programs. This paper describes the trials and tribulations associated with the implementation of a program developed to address this need.

4. The practicum in personal financial planning

In 1995, the members of my finance department decided to offer more focused training in finance by dividing the curriculum into several "tracks"—corporate finance, investments, financial institutions, treasury management, and personal financial planning. A welcome byproduct of this curricular change has been the facilitation of study toward the attainment of professional designations by our students. We have developed links with organizations offering certification in the areas of financial analysis, treasury management, and financial planning.

The financial planning track has proven to be quite popular with business students–the introductory course (which serves as a "gateway" to the program) regularly attracts 50–60 students per semester during the regular academic year and another 20–30 students in the summer session.[6] (This total constitutes approximately 25% of our finance majors.) The course provides students with an overview of the main topical areas of financial planning, as well as introductions to relevant regulations, planner-client issues, and the practice of personal financial planning. The centerpiece of the course is the requirement to prepare a comprehensive financial plan as a semester project.

In addition to the introductory course, the financial planning curriculum includes required courses in investments, income taxation, insurance, retirement planning, and estate planning. Courses are taught by a combination of regular faculty and adjunct faculty. The latter are experts in a particular field (e.g., estate planning) and are drawn from the pool of local financial planning practitioners.

It is important to note the importance of creating and maintaining strong links between the educational institution and local financial planning practitioners. Our institution reached out to the local chapters of the Institute of Certified Financial Planners (ICFP) and the International Association for Financial Planning (IAFP).[7] Members of these groups have been very supportive of every aspect of our university program and have been willing to act as speakers in various courses, to hire students in internship positions, to provide scholarship and award money for outstanding financial planning students, and to serve as members of the advisory board created to help administer the practicum. In short, I would urge anyone considering the creation of a practicum course to actively involve members of the local financial planning community.

4.1. Structure of the practicum

In January, 1999 we offered a Practicum in Personal Financial Planning for the first time. As noted above, the practicum has two main thrusts. The first is to provide students with exposure to clients and to provide practice in information-gathering, data analysis, plan preparation, and plan presentation. Secondarily, students gain experience in using the financial planning software they will find in the offices of future employers and in working in teams to prepare a polished finished product.

Enrollment in the practicum is limited to students who have completed the introductory financial planning course and at least one other course in the financial planning track. We also require that students perform volunteer (i.e., unpaid) service 3–5 hr per week for ten weeks during the semester at the local Consumer Credit Counseling Service (CCCS) under the direct supervision of the Director of Counseling and a Consumer Credit Counselor.[8] More specifically, the structure of the practicum is as follows.

4.1.1. Course preparation

The practicum course requires that a significant amount of groundwork be laid prior to the opening of the semester. First, because of the emphases placed on community service and counseling in our program, we chose to work jointly with the local office of the Consumer Credit Counseling Service (CCCS).[9] Early on, several arrangements must be made with the

CCCS. Details as to the number of students that can be expected each semester (we limit enrollment to ten per course) and exactly what the student volunteers will be doing while at the CCCS office must be spelled out.[10] With respect to the latter, our students perform such tasks as observing counseling sessions, contacting clients, and contacting creditor organizations.

At the same time, the instructor should be making arrangements for the acquisition of those people who will serve as financial planning "clients" for the student planners. In our case, the CCCS Director of Counseling provided us with a list of former clients who had successfully completed the CCCS "Debt Management Program" (which effectively clears the client's financial slate), met certain parameters (e.g., home ownership, current employment), and indicated a willingness to participate in the volunteer financial planning program. (In describing the program to CCCS officials, we emphasized that financial planning represents a logical extension of the Debt Management Program - once a client's debts have been brought under control, s/he should seek to plan for order and safety in future financial dealings.)

It is at this time that one or more local financial planners should be approached for participation in the program. The financial planner is asked to attend the first meeting of each student team with its client, review and critique the financial plan the student team prepares, and then observe the final meeting of the teams and the clients. Given that the practitioner has input throughout the program, it is very important that s/he be an enthusiastic participant. At the same time, the instructor should be willing to accept suggestions from the planner, particularly those related to the contents, recommendations, and presentation of the final plan document.

Finally, if it is intended that students use financial planning software in the preparation of their financial plans, it is necessary to obtain and familiarize oneself with it.

4.1.2. Weeks 1–4

The early weeks of the course are largely preparatory in nature. During this period, the course meets on a traditional schedule, and students work through a case using the financial planning software. There are three benefits of this approach. First, students become familiar with the software, and learn what information will be needed to generate satisfactory output. Second, students quickly become accustomed to working in teams. Finally, preparation and discussion of a case analysis refreshes and enhances the material covered in the other financial planning courses, and provides the instructor with the opportunity to point out gaps in the information provided, inferences to be drawn, and additional questions to be asked.

During this period, we find it useful to take students to the offices of a local financial planner, who gives a presentation on the financial planning process, with particular emphasis on the importance of trust and relationship-building.

Because of our belief in the importance of interpersonal skills, we also provide for guest lecturers during this period to address the students on the topics of listening skills and the development and use of effective interviewing techniques. Some instructors may wish to use this period to involve the students in role-playing exercises and/or short case analyses to further hone their listening and investigative skills.

4.1.3. Weeks 4–13

In the fourth week of class, the course meeting schedule changes dramatically. Because students begin their volunteer work at this point, traditional class meetings are reduced to include only periodic updates and meetings for special purposes. In our case, students are taken to the CCCS offices and given an orientation by the Director of Counseling and the Director of Education. Over the next few days, student work schedules are finalized, and students are placed with counselors, with whom they will meet with CCCS clients. Each student observes multiple CCCS sessions. This is important, because CCCS clients range from the relatively well-off who simply wish to better manage their debt load, to those who are in desperate financial straits. As a result, the interviews range from being fairly pleasant, low-key discussions, to being tearful, high-stress encounters. This portion of the course greatly enhances student interviewing and interpersonal skills because they observe counselor interactions with clients of varying socioeconomic backgrounds and different personality types.

Simultaneously, practicum clients are selected and final arrangements for the first meeting with the students are made. The client participant is mailed a simple fact-finder and a financial goal sheet and requested to complete them to bring to the first meeting. (It is particularly important to stress to the client that his/her financial goals should be as specific as possible with respect to time horizon, level of importance to the client, and estimated cost, since the financial plan is essentially a “road map” to the attainment of the client’s financial goals.) Students are asked to develop a set of questions and are coached further in information-gathering techniques.

Next, each student team meets with a client participant under the supervision of the instructor and the financial planner. Students perform virtually all of the questioning, with the instructor and/or the financial planner stepping in only if the situation warrants it. It has been our experience that, having observed a number of credit counseling sessions by this point, students begin to have a good feel for interviewing and questioning techniques and, in many cases, to develop some self-confidence.

Over the remaining weeks in this period, the students take the information obtained and, with the assistance of the instructor and using the software, generate an initial financial plan for the client participant. While traditional class meetings have ceased at this point, the instructor should strive to keep close tabs via phone or e-mail on the progress of each student team in preparing its financial plan. Unless one restricts course enrollment to a relatively small number, this aspect of the course can become time-consuming for the instructor. Additionally, close monitoring ensures that any unforeseen problems or questions that may arise in the work environment can be quickly addressed.

4.1.4. Weeks 13–14

As the end of the semester approaches, the initial financial plan is presented to the instructor and the financial planner for comment and revision. This is essentially a dry run of the eventual formal presentation to the client and is extremely useful in identifying gaps and/or weak points in the plan. Students must list completely all assumptions made in the generation of the plan, and provide a set of “action steps” to be recommended to the client. In general, the plan should include recommendations which will lead to accomplishment of the client's goals, and include sections covering the following topics: evaluation of the client's current financial position, with particular emphasis on both short- and long-term liquidity needs; analysis of the client's current life insurance coverage and recommendations for changes in the amount and/or types of insurance needed, if appropriate; assessment of the client's retirement program, including plans made through his/her employer, as well as personal savings and investment; and analysis of the client's investment portfolio relative to the return required to meet his/her goals, conditioned by the client's stated risk tolerance.[11] The instructor and the practitioner are encouraged to probe every detail of the plan at this point. This is likely the first financial plan the students have prepared (apart from that done for the introductory course, in our case), and should be considered a "first draft" of the final document. Necessary revisions to the plan are made, and students continue to practice their presentation technique.

4.1.5. Week 15

In the final week of the course, the client participant returns and the students present the completed financial plan under the supervision of the instructor and the participating financial planner. The client participant is encouraged to ask questions of the students, and, once again, the instructor and the planner serve primarily as observers. The presentation ends with the aforementioned list of financial recommendations or "action steps" that the client can implement should s/he so choose.

Assigning grades in the practicum is a bit different than in a more traditional course. First, given the nature of this course, I choose not to give examinations. Rather, students are graded on the quality of their work at the CCCS (on which they are required to write a brief commentary at the end of the semester), on the quality of the plan document and on the presentation of it to the client participant. Also, since students are working in teams, some instructors may wish to allow them to grade other team members on the quantity and quality of their efforts in preparing the plan.

4.2. Benefits, costs, and caveats

I believe the most important benefits of the practicum are the client interaction and the real-world lessons learned by the student participants. First and foremost, the students learn the importance of the ability to deal with people on a one-to-one basis in a situation that is complicated by the requirement that the client lay bare his/her financial situation. On the more concrete side, student participants are likely to discover the following facts, which will serve them well should they eventually enter the financial services industry:

(1) Many people have only a vague understanding of common financial terms. The most basic notions of risk, reasonable rates of return in various asset classes, long-run implications of different asset allocations (particularly in the context of defined contribution retirement plans), and differences in the costs and types of life insurance policies are not well understood by the public at large.

(2) Few people have well-thought out financial goals. What goals they do have are often not highly specific as to priority, nor are they precise (or realistic) as to the financial resources required for attainment.

(3) Client-provided financial information is often incomplete and/or contradictory. This may be due to several factors, including the client's lack of understanding, as well as the client's reluctance to totally expose himself/herself financially. Students should, following their practicum experience, have a much better idea of what questions to ask and of what client-provided data to be suspicious.

Of course, one can lecture on these aspects of the financial planning process in the traditional manner, but it is my experience that a much stronger impression is made when students deal with these complications firsthand. In short, a well-designed practicum serves to reinforce what students have learned previously, as well as to add to their knowledge base.

An additional benefit of such a program is that it is consistent with the outreach and community service components implicit in most universities' missions–a program such as this is viewed by many external constituents as evidence of the university "giving something back" to the community and providing a useful service, while increasing the quality of the educational process.

Finally, the existence of a practicum enhances the university-community link by requiring joint effort between educators and practitioners. In our case, it was extremely gratifying to find that members of the local ICFP society were very willing to assist in this course, viewing it as an opportunity to perform *pro bono* work.

The benefits of such a course do not come without cost, however. We offer some caveats for those considering the implementation of a similar course. First, great care must be taken to ensure that students do not "overreach their expertise" in the financial plan document, intentionally or otherwise. We repeatedly stress to the students that any of the recommendations they make are to be general and generic in nature–no specific firm's products or services are to be discussed.

Second, it can be difficult to convince people unfamiliar with the financial planning process to disclose the details of their financial lives to strangers. It is incumbent upon the practicum instructor to make clear to potential client participants that, in return for their participation in the program, they will receive, at no cost or obligation, an extensive financial plan that should greatly aid them in attaining their financial goals. I stress this point in the introductory letter sent to potential client participants. The letter also describes the financial planning process and the considerable benefits of personal financial planning for the individual. (The client pool we draw from is largely unfamiliar with the financial planning process.)

Early discussions should provide the client with a clear understanding of the nature and the scope of the financial planning process. Of course, the client should be assured that any and all information provided will be held in the strictest confidence and will not be divulged to any parties outside of the program for any reason whatsoever.

Two important questions the instructor must address prior to offering the practicum are (1) How to obtain clients and (2) How many clients to obtain. As noted above, we obtained clients with the assistance of the local CCCS. Others may wish to obtain clients via word-of-mouth or on-campus advertising.

The number of clients to serve is directly related to the number of students in the practicum. We severely limit enrollment in the course in order to ensure that the students are of the highest caliber and are likely to undertake the task with the appropriate seriousness.

Perhaps the principal limitation on the number of clients, though, is the level of faculty involvement required.

As suggested by the course schedule above, the number of hours of classroom contact time in this course is limited largely to the first and last months of the semester. Nonetheless, the time commitment required of the faculty member is fairly heavy. A substantial amount of groundwork must be laid before the course can begin, and scheduling issues are ongoing throughout the semester: student work arrangements must be made, potential clients must be contacted, and meeting dates with students, clients, financial planners, and the instructor must be coordinated. Unlike the traditional lecture course, in which the incremental student imposes minimal marginal effort on the part of the instructor, marginal effort in the practicum seems to increase substantially with the number of course participants.

5. Concluding Remarks

Based on their comments, I believe the students who participate in our Practicum in Financial Planning find it an immensely rewarding and eye-opening experience. For some, it is the first time in their lives that they have performed community service; for others, it is the first time in their lives (or at least in their college careers) that they have been made responsible for the completion of a task which extends far beyond the typical "homework" assignment. The completion of this task puts them into meaningful contact with individuals in the community who work in the students' desired profession. In short, students gain valuable firsthand knowledge attainable in very few other ways.

Notes

1. The list of registered programs is available on the web page of the CFP Board of Standards at http://www.cfp-board.org.
2. Program information was solicited by e-mail from the directors of registered programs that appeared on the CFP Board of Standards website in April, 1999. Sixty-four program directors (or their representatives) had responded by the time of writing. It is from this sample that the conclusion is drawn.
3. We distinguish here between programs that offer coursework which *requires* client-based experiences and those that simply "encourage" students to seek out such experiences.
4. The Certified Financial Planner Board of Standards also registers self-study programs leading to the Certified Financial Planner examination. A popular program requires students to study and pass, on a sequential basis, materials in the following topical areas: financial planning process, insurance planning, investment planning, income tax planning, retirement planning and employee benefits, and estate planning. Upon successful completion of all of the topical exams, the student is eligible to sit for the comprehensive certification exam.
5. This lack of explicit emphasis may be due in part to the nature of the program

registration criteria of the CFP Board: the institutional registration materials emphasize topical coverage requirements and instructor qualifications, rather than experiential learning opportunities. And, in fairness, it should be noted that the criticism that the teaching of qualitative skills is underemphasized has been leveled at business education for decades. As Kenneth Hastie pointed out in his presidential address to the Financial Management Association in 1982, "Business sees far too many individuals who have all the intellectual and analytical skills necessary to be successful, but who are unable to communicate those ideas and conclusions. And that is regrettable." Hastie (1982), p. 60.

6. The prerequisite for the introductory financial planning course is the first financial management course, which is part of the core business curriculum. Similar to most institutions, the financial management course has as prerequisites courses in accounting, economics, and statistics.
7. In mid-1999, the national ICFP and IAFP organizations announced their intent to merge into a single 25,000-member organization, the Financial Planning Association (FPA).
8. In addition to providing students with the opportunity to observe financial counselors "in action," this requirement promotes community service. It may also provide a favorable self-selection bias for students considering enrollment in the course as only those who are sincerely interested in financial planning and counseling will devote several hours per week for no compensation.
9. Other consumer-oriented organizations might also be contacted. For example, the web page of the National Foundation for Consumer Credit (NFCC) indicates that organization has 1,450 offices nationwide, many of which are CCCS offices. The web page can be found at http://www.nfcc.org. I would like to thank a reviewer for pointing this out.
10. Convincing one's department chair or dean to offer a course with an enrollment of ten students might be difficult; in our case, the instructor is simply given credit for one-half course for each practicum section taught.
11. Those familiar with the contents of a comprehensive financial plan may question the omission of a segment on estate planning. It is my belief that, without detailed assistance from a financial planner who is highly qualified in the field of estate planning, any but the most general and innocuous recommendations in the area are potentially inappropriate and may open the door to unwanted liability issues for the instructor, the students, and the university.

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