

## Entry-level financial planning practice analysis: preparing students to hit the ground running

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### Abstract

A survey of financial planning professionals was conducted to determine the level of expertise and importance of financial planning topics desired by employers of entry-level graduates of financial planning degreed programs. Based on the 89 topics of the 2004 Topic List for CFP Certification Examination plus 12 other skills and qualities, a basis for financial planning curriculum design in higher education is presented. © 2011 Academy of Financial Services. All rights reserved.

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### 1. Introduction

As the profession of financial planning grows in consumer awareness and importance, it becomes necessary for the academic curriculums offered at degree-granting institutions to be periodically assessed. In ensuring the effectiveness of the curriculum, the relevance of the curriculum to a graduate's future work environment is paramount (Davis, Misra, & Auken, 2002). Employers believe that graduates should be able to make a contribution to the company from day one and that companies cannot afford the cost of training their new hirers in generic employment skills (Halpern, 1998; Atkins, 1999). Therefore, one of the key roles of a degree-granting institutions is to supply suitably skilled graduates to the work place

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(Hills, Robertson, Walker, Adey, & Nixon, 2003), and therefore, satisfy the needs of its customers, the students and employers (Ellen & Pilling, 2002).

Ideally the academic curriculum of degree-granting institutions should include competencies that are important to professional success and fulfill employers' expectations. In the field of personal financial planning, currently, many, if not all, of the academic curriculums of degree-granting institutions are based on the Topic List for CFP Certification Examination (Certified Financial Planner Board of Standards, 2004) established by Certified Financial Planner Board of Standards. Although the topics on this list serve as the basis for the Certified Financial Planner (CFP) Certification Examination, they may neither represent the topics that are desired nor reflect the desired level of competence or importance of these competencies by employers who hire recent graduates of degree-granting institutions. In addition, many faculty members' industry experience may not be reflective of the current industry environment and business models; for example, compensation models, in which their graduates will be employed.

To capitalize on practitioner experience and expertise, several academic programs including business, engineering, health services, and information technologies have utilized employer input in curriculum development (Eastman & Allen, 1999; Lang, Cruse, McVey, & McMasters, 1999; Noll & Wilkins, 2002; Passow, 2007). This allows university programs to develop curricula that not only include industry desired competencies but also place the proper emphasis on those competencies.

This study is motivated by the desire to better understand the financial planning skill sets and financial planning knowledge that graduates of financial planning degree-granting institutions should possess upon degree completion. It focuses on identifying the competencies and level of expertise of those competencies that employers of financial planning graduates desire.

## **2. Motivation and relevant literature**

### *2.1. Academic preparation meeting workforce needs*

Colleges and universities are coming under increased pressure to demonstrate that they provide a quality product. Despite extensive training and academic rigor, many new professionals are not equipped to meet the demands of the work place. The competency gap between employer wants and expectations from first-year hires and their academic preparation is not unique to financial planning. A competency gap has been identified in business programs (Berdrow, 2008); engineering (Lang, Cruse, McVey, & McMasters, 1999); public relations (Neff, Walker, Smith, & Creedon, 1999); and information systems technology (Trauth, Farwell, & Lee, 1993). More specifically, the majority of employers, 64%, state that four-year college-educated graduates are merely adequately prepared for the entry-level jobs that they typically fill. Slightly over 20% rate four-year college graduates as being excellent in regards to their preparation level (Conference Board, 2006). Likewise, a 2005 survey of Illinois employers suggests that colleges and universities could improve workforce readiness

and preparation by offering more internship programs and teaching more “real world” skills (State of Illinois Board of Higher Education, 2006).

This expectations or competency gap creates an undesirable situation for all involved; the degree-granting institution, the employer, and the new hire. The degree-granting institution develops a negative image from the perspective of potential employers by providing a less-than-desirable product. Employers encounter costs in the form of additional training, lost productivity, hiring and termination cost, and most importantly time. New hires suffer emotionally and financially from not having the competency necessary to be successful in the profession of their choice. The feeling of inadequacy, the “humbling effect” can lead to lapses in productivity and even feelings of resentment toward the degree-granting institution (Kuk & Hughes, 2003).

Ensuring that the disparity between academic curriculums and industry expectations is minimized is a critical component in maintaining the competitiveness of the financial services industry, academic institutions, and the students that they graduate. It is important to determine what employers desire and expect in new hires. Although, it has been recognized that a balance must be established between the competencies demanded by employers for the immediate work-entry years and the broader educational aims that will prepare graduates for their life-long career, there is no consensus within the profession regarding what constitutes professional preparation (Davies, Csete, & Poon, 1999). The purpose of this paper is to investigate employer expectations in regards to future financial planning graduates and to address the following concerns:

1. What essential skills do employers feel are required from a financial planning degree granting education? What should program graduates be able to do? What competencies should they have?
2. What level of emphasis should be placed on each of these competencies in the degree-granting institution’s curriculum?

## *2.2. Job analysis and its role in determining job competencies*

It is estimated that the cost of a hiring mistake by a firm is one-half to 10 times the salary of the particular individual. The expense of hiring errors can be controlled by instituting a systematic and consistent approach to identifying and hiring competent and suitable people. This systematic process is a job analysis (Prien, Goodstein, Goodstein, & Gamble, 2009).

The purpose of a job analysis is to provide an in-depth understanding of the competencies required for success to select an appropriate job candidate. A job competency is a behavior, or set of behaviors, necessary to accomplish a specific task or achieve a specific goal. More expressly, it identifies observable knowledge and skills as well as verifiable abilities and other personal characteristics needed to perform a job (Chen, Carsten, Krauss, 2003). Prior literature (Campion, Palmer, & Champion, 1997; Campion, Pursell, & Brown, 1988) suggests that when the hiring process is based on a careful job analysis, the likelihood of job success is increased, and that it is possible to identify correctly those candidates who are most likely to succeed.

A traditional job analysis has four components: (1) a description of the work activity or

task involved in doing the job; (2) the knowledge, skills, and abilities or competencies necessary to perform the job; (3) data on the range of job performance, and (4) the characteristics of the workplace.

The practice of a job analysis is strongly related to positive organizational performance. Companies that regularly conduct job analysis possess a much better knowledge of their employees' strengths and limitations, and can take timely corrective action to improve any deficiencies in their skills and job behavior. It also promotes positive job attitudes and work commitment and job satisfaction; conversely, they can be used to identify and eliminate unnecessary job requirements and/or areas of conflict or dissatisfaction (Siddique, 2004).

This suggests that a company-wide employment policy based on job analysis is an important source of competitive advantage. As a consequence, job analyses are viewed as the cornerstone of nearly all human resource activities. The traditional applications of a job analysis are recruitment, candidate selection, employee training and development, performance management, organizational management and planning, and litigation protection (Prien et al., 2009). Furthermore, it is the belief of researchers (Chen, Carsten, & Krauss, 2003) that a well-conducted job analysis is also a crucial component of curriculum assessment and development.

### *2.3. The role of importance-expertise analysis*

The "consumer" of college graduates is their respective employers (Ellen & Pilling, 2002). Empirical research has shown that consumer satisfaction is a function of both expectations related to certain important attributes and judgments of the attribute's importance. A combination of satisfaction and importance into a single framework can introduce an important element of efficiency into the utilization of organizational resources. This framework, Importance-Performance Analysis, has been applied in the field of marketing to examine the customer's perception of the importance of salient product attributes and the customers' satisfaction with the performance of marketers in meeting their expectations and needs associated with each of these factors (Graf, Hemmasi, & Nielson, 1992) as well as education (Nale, Rauch, Wathen, & Barr, 2000; Oh, 2001).

In this study, the product is the graduate and the product attributes are the financial planning competencies and abilities acquired from the degree-granting institution. The results indicate which attributes to emphasize and conversely deemphasize in the program's curriculum. This analysis is labeled the Importance-Expertise Analysis (IEA).

The IEA combines measures of attribute importance and expertise into a two-dimensional grid to ease the interpretation of data and practical implications and offers actionable results for decision makers (Nale, Rauch, Wathen, & Barr, 2000). A set of key attributes (CFP Board 89 Topics) and supplementary attributes of a target product is generated and subjects (potential employers) rate each attribute for its importance to a purchase (hiring) decision. Expertise is then measured using the same set of attributes so that importance and expertise can be directly compared within the same attributes on the IEA grid. The mean values of importance and expertise scores are used as the crossing point in constructing the IEA grid (Oh, 2002).

The Importance-Performance Analysis has also been modified by other authors. For

example, Yavas & Shemwell (2001) used their modified matrix to allow the managers who participated in the study to explore improvement priorities in their operations in an effective manner. Slack (1994) use a modified matrix to perform a competitive analysis of hospitals in a standard metropolitan statistical area. Easingwood & Arnott (1991) use a modified matrix to present their survey-based study of generic priorities in service marketing. Other research also suggests modifications to the importance-performance matrix both for the manufacturing and service industries (Slack, 1994).

### 3. Method

This research examines the desired financial planning competencies and knowledge that employers are seeking in graduates of financial planning degreed programs. According to Ellen & Pilling (2002), employer perspective is a logical starting point for several reasons. First, the likelihood of suitable employment for the graduate student will increase if the student possesses the competencies desired by prospective employers. Second, socialization theory suggests that a student who has a greater match between abilities and perquisites for successful job performance will have a greater likelihood of career advancement. Third, a long-term positive perception of a school's program should be generated if the program produces students that meet the demands of employers.

#### 3.1. *Conceptual framework*

The focus of this research is determining the desired financial planning competencies and knowledge of those competencies that employers seek in new graduates. The level of knowledge required is measured as the interaction between how important the competency is deemed by the professional and the level of expertise that would be required by a new hire; thereby, creating an importance-expertise matrix. This matrix serves as a visual display of the results of the analysis as well as forms a strategy for curriculum development.

#### 3.2. *Importance-expertise matrix*

The Importance-Expertise Matrix is a two-dimensional grid based on customer-perceived importance of knowledge attributes and desired expertise. See Fig. 1 for a basic Importance-Expertise Matrix (IEM) used in this research.

The upper Quadrants, I and IV, represent higher expertise areas, whereas the lower quadrants, Quadrants II and III, represent areas of lower expertise. The right-hand quadrants, I and II, represent areas of higher importance, whereas the left-hand quadrants, III and IV, both represent lower importance areas. In this research, topics and attributes rated in Quadrant I are higher in importance at a higher expertise level. Those in Quadrant II are of higher importance, but not needed at a higher expertise level. Quadrant III topics and attributes are of lower importance and lower expertise. Finally, those in Quadrant IV are rated lower importance but a higher level of expertise.

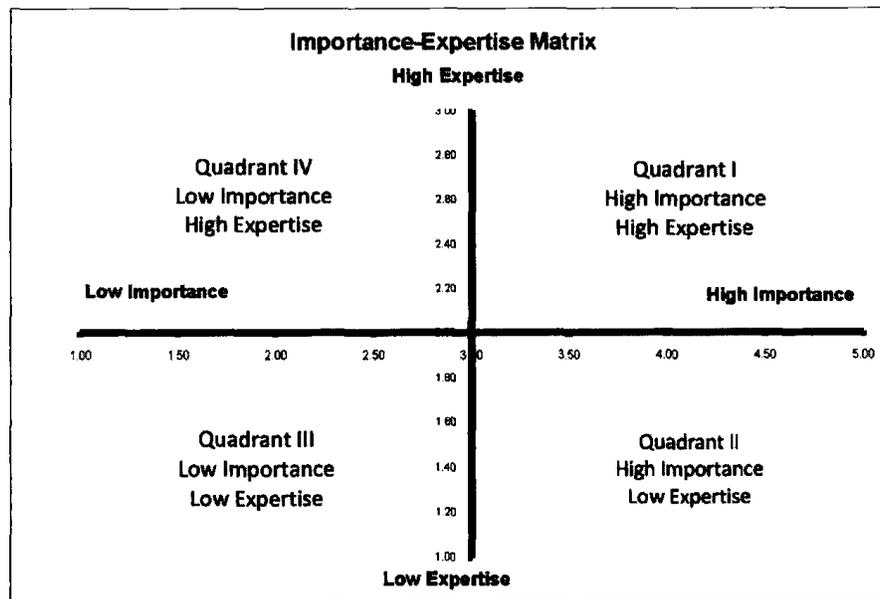


Fig. 1. Basic Importance-Expertise Matrix

Importance was measured on a five-point Likert scale with the following definitions based on the definitions used in the Job Analysis for Certified Financial Planner certificants:

1. "Of no importance: a new hire's incompetence or omission in this subject area would not cause adverse impact, delay, or inconvenience on my firm or our clients."
2. "Of little importance: a new hire's incompetence or omission in this subject area might cause minor delay or inconvenience but would not have an adverse impact on the firm, clients, or others."
3. "Of moderate importance: a new hire's incompetence or omission in this subject area would cause a moderate amount of delay or inconvenience and might adversely impact the firm, clients, or others."
4. "Important: a new hire's incompetence or omission in this subject area would have a serious adverse impact on the firm, clients, or others."
5. "Very important: a new hire's incompetence or omission in this subject area would result in termination."

Expertise levels were measured using a modified scale based upon Bloom's Taxonomy. Bloom's Taxonomy describes levels of student learning within the cognitive dimension. Traditionally, Bloom's Taxonomy contains six levels of learning competency: recall, comprehension, application, analysis, synthesis, and evaluation. According to Starr, Manaris, and Stalvey (2008) at the recall level, an individual is expected to be able to recite memorized information concerning the concept. Comprehension signifies that the individual is expected to be able to explain the concept in his or her own words; at the application level, there should be an ability to apply the concepts to a particular task or situation. The analysis level is indicated by an ability to separate material in to its component parts; synthesis is the ability to put parts together to form a whole with an emphasis on creating a new meaning; and in

evaluation an individual is expected to make judgments pertaining to the value of ideas or materials.

In measuring the level of expertise desired by employers of new hires, the competencies of recall and comprehension were combined into a new classification, “remember and understand”; “application and analysis” comprised “apply and analyze” and “synthesis and evaluation” become “evaluate and create.” These renamed categories were represented as a survey response of 1, 2, or 3, respectively. The descriptions of these categories were presented as follows:

1. Remember and understand: “The new hire is expected to understand and be able to communicate to peers and clients appropriate terminology, specific facts, and common trends and/or practices related to the subject in his or her own words.”
2. Apply and analyze: “The new hire is expected to apply his or her knowledge of the subject matter to specific problems and scenarios.”
3. Evaluate and create: “The new hire is expected to have beyond a basic knowledge and ability to analyze. The new hire is expected without supervision to be able to choose among multiple potential alternatives and create solutions that are unique to the client’s circumstances.”

According to prior research (Hawes & Rao, 1985; Nale, Rauch, Wathen, & Barr, 2000) the positioning of the horizontal and vertical axis is a matter of judgment, and we chose to follow prior strategies by allowing the horizontal and vertical axis to intersect at their midpoints, three and two, respectively. Furthermore, the mean value of each competency was used for its placement on the importance-expertise grid. Because tests of significance are not being used, distortions introduced by the use of the mean instead of the median are unlikely to be serious (Martilla & James, 1977).

### 3.3. Identification of competencies

The competencies that were determined as important to professional success and fulfillment of employer’s expectations were a compilation of the 2004 Topic List for CFP Certification Examination developed by CFP Board of Standards (89 topics) and twelve additional competency areas determined by the researchers and an advisory group of employers. These competency areas were agreed upon as being representative of the skills sets that employers require of new hires by a focus group comprised of financial planning professionals and academicians. Appendix A presents a complete list of the competencies surveyed. Within the survey, each of the 101 competencies was further described by either the subtopics of each topic as in of the Topic List for CFP Certification Examination or explanations of the attributes not specifically included in the topic list. For example, Financial Planning for Special Circumstances in General Principles was described to the respondent as “*Including divorce, disability, terminal illness, nontraditional families, job change and/or loss, dependents with special needs, and monetary windfalls.*” These competencies were grouped into nine thematic areas: general principles, insurance planning and risk management, employee benefit planning, asset allocation and investment planning, income tax planning, retirement planning, estate planning, other themes, and personal skills.

### 3.4. Data

This study, supported by the Charles and Helen Schwab Foundation, was conducted using data from a survey of financial services practitioners throughout the United States. The survey was administered online to the membership of two well-established financial services organizations during the summer of 2009. Prospective survey participants received an invitation to participate in the online survey by their respective member organization before the launch of the survey; this invitation contained an embedded Web link for the survey. Potential respondents also received a reminder notice from their member organizations sent 10 days after the initial launch of the survey. A total of 153 individuals began the survey with 77 surveys being fully completed.

The majority of the respondents who completed the survey (82%) characterized their current firm as an independent registered investment firm, followed by insurance firm, national financial services firms, and regional broker-dealer. Seventy-four percentage of the respondents classified their organizations as smaller boutique organizations with 20% stating that they worked in organizations with an excess of 50 employees. Fifty-three percentage of the respondents worked in organizations that require the CFP certification. The majority of respondents had either hired a graduate directly out of a college program for an entry-level position or had intentions of hiring graduates directly from a four-year university for an entry level financial planning position in the future, 66% and 54%, respectively. The use of the Topic List for CFP Certification Examination was supported in the survey results as 92% of respondents either required or strongly encouraged obtaining the CFP certification.

## 4. Findings and discussion

### 4.1. Thematic findings

To determine the importance of each of the 101 analyzed competencies, the means of the knowledge level required and perceived importance were calculated. Appendix A shows the mean calculations for each general topic and individual competencies. The IEM for each general topic will be discussed below. Each IEM axis intersects at the median value; 3.0 for importance (x-axis) and 2.0 for expertise (y-axis).

The IEA was applied to compare the importance of the competencies and the expertise desired by financial service industry participants, and to recommend areas of concentration for curriculum maintenance and development. The results were plotted in the IEM Theme grid (Fig. 2).

When examining the grand mean for each thematic area, personal skills was the only theme that ranked high in both expertise and importance. Employee benefits planning, on the other hand, was the only theme ranked low in both expertise and importance. The remaining seven thematic areas were all ranked as low expertise, meaning “remember and understand” and “of moderate importance,” that is, mean score ranging between three and four. The order of these themes by increasing importance is Employee Benefits Planning, Income Tax

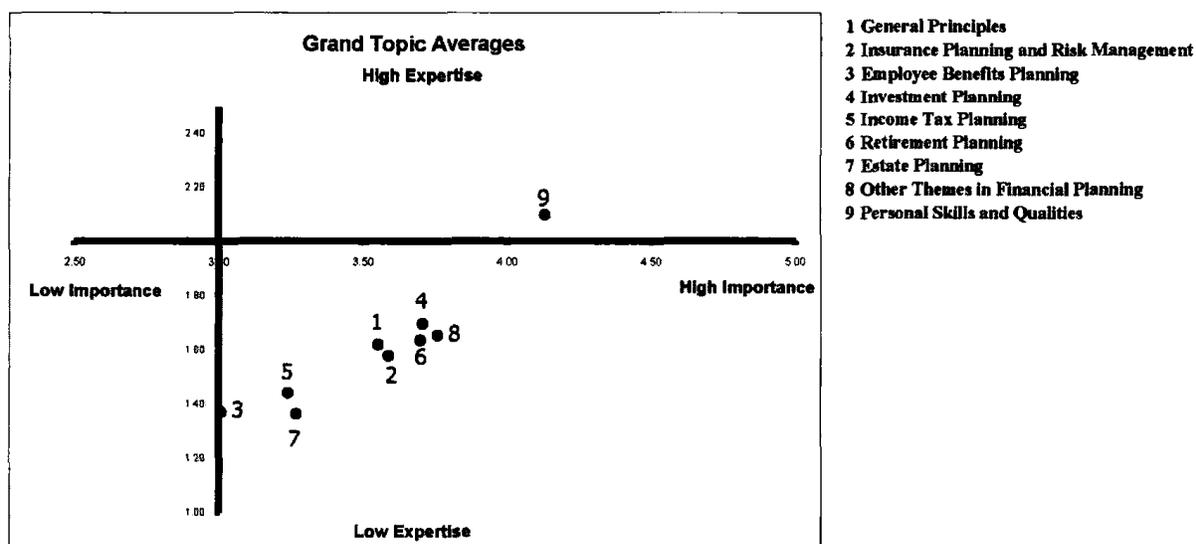


Fig. 2. Importance-Expertise Matrix of Themes

Planning, Estate Planning, General Principles, Insurance and Risk Management, Retirement Planning, Investment Planning, Other Themes, and Personal Skills and Qualities.

#### 4.2. General principles findings

Among the general principles topics, time value of money concepts and calculations was rated at the highest expertise level, but this was not the only important topic. The financial planning process and the code of ethics were rated as important, but required at a much lower level of expertise than time value of money. Financial statements and cash flow management were the next most important topics within general principles, and were the highest rated in expertise next to time value of money. Respondents rated consumer protection law, business law, regulation, and planning for special circumstances lower in importance and expertise compared with other topics in this theme. See Fig. 3 for the General Principles IEM.

#### 4.3. Insurance planning and risk management findings

Within insurance planning and risk management, insurance needs analysis and life insurance were rated as the most important topics and were expected at higher expertise levels. Business uses of life insurance was rated the lowest in importance and the lowest expertise level among the insurance topics. Policy and company selection, although rated at a lower expertise level, was important compared to other topics rated at similar expertise levels. See Fig. 4 for the Insurance Planning and Risk Management IEM.

#### 4.4. Employee benefits findings

The respondent ratings of employee benefits are interesting in that all topics were centrally rated at approximately the mean importance level and a relatively low expertise level,

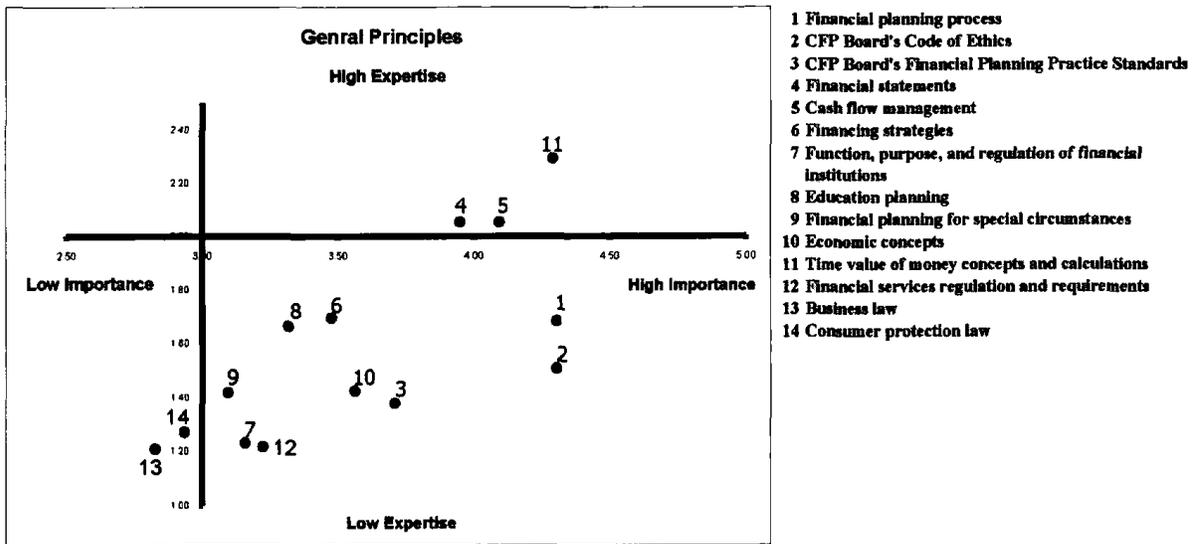


Fig. 3. General Principles IEM

between “remember and understand” and “apply and analyze.” No topics were rated in the top two importance categories or the “evaluate and create” expertise levels. See Fig. 5 for the Employee Benefits Planning IEM.

4.5. Investment planning findings

Asset allocation and portfolio diversification was the highest rated topic within investment planning in terms of both importance and expertise level, and types of investment risk was rated second most important. Asset pricing models were rated the lowest in terms of importance and expertise level required. Quantitative investment concepts and asset valua-

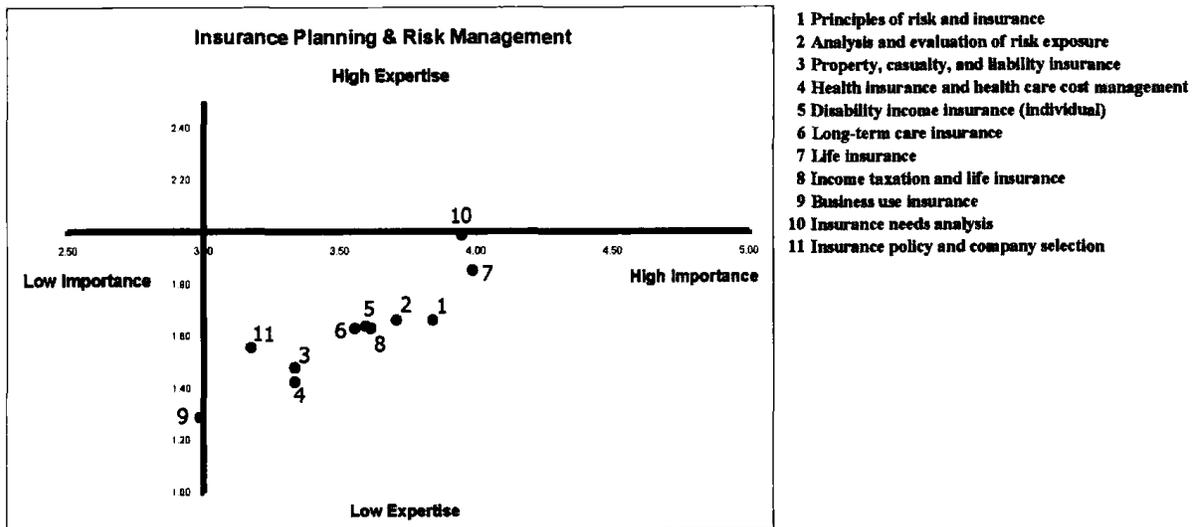


Fig. 4. Insurance Planning and Risk Management IEM

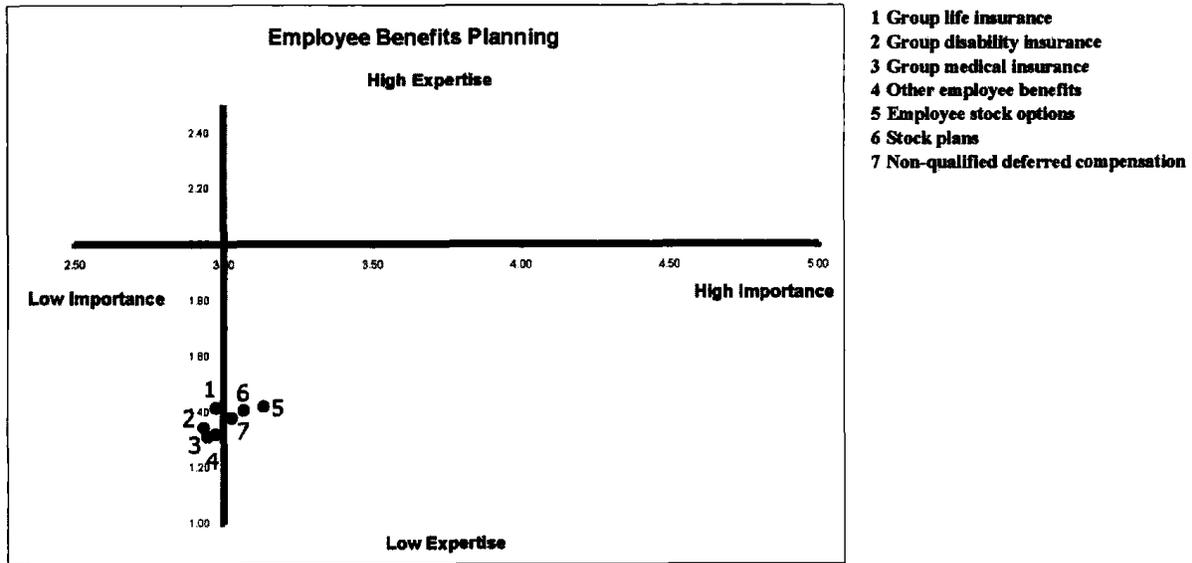


Fig. 5. Employee Benefits Planning IEM

tion concepts were the next lowest rated topics within the investment theme. Other topics were centrally rated above mean importance and just below mean expertise level. See Fig. 6 for the Investment Planning IEM.

4.6. Income tax findings

Income tax fundamentals and basis were the highest rated topics in both importance and expertise desired. Passive activity and at-risk rules, like-kind exchanges, tax accounting, and depreciation and cost recovery were all rated at the lowest importance and expertise level.

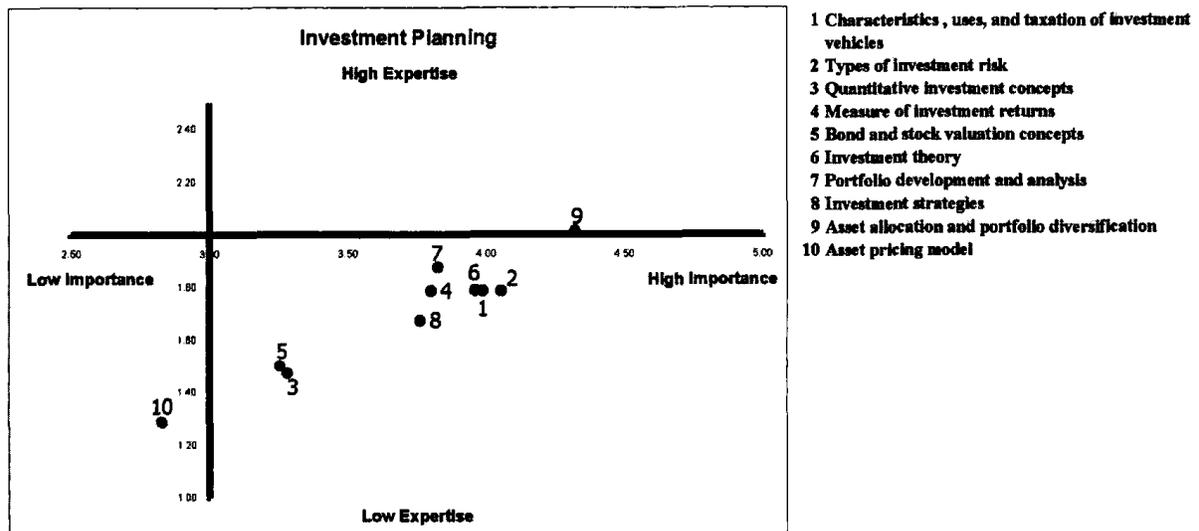


Fig. 6. Investment Planning IEM

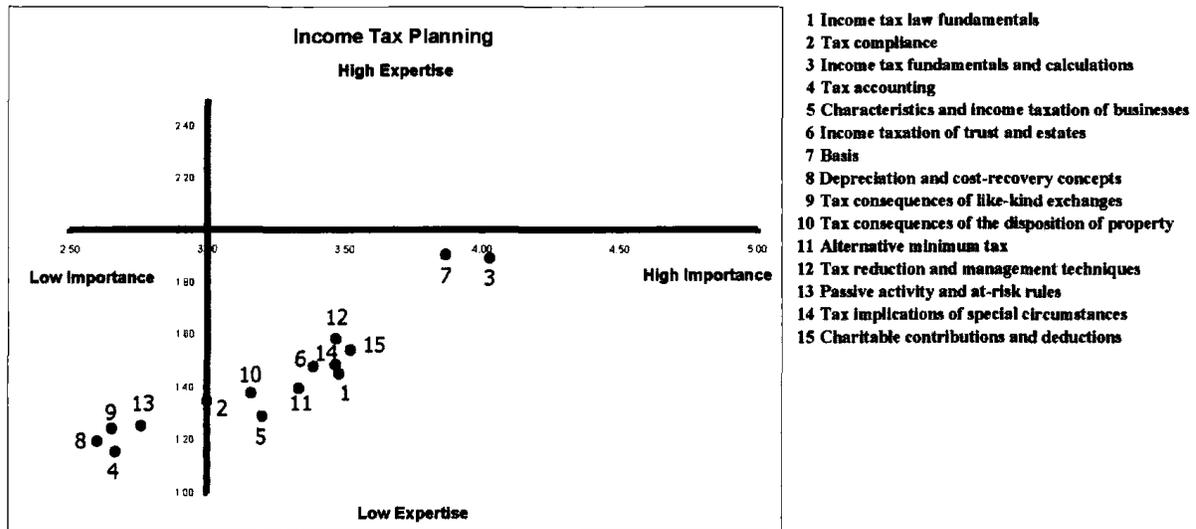


Fig. 7. Income Tax Planning IEM

Other tax planning topics were centralized at the moderate-to-important rating and lower expertise level; with property disposition taxation, business income taxation, and tax compliance at the lower levels of importance in this grouping. See Fig. 7 for the Income Tax Planning IEM.

#### 4.7. Retirement planning findings

Retirement needs analysis was rated at the highest importance and expertise level of all retirement planning topics. Distribution rules, alternatives, and taxation was rated just below needs analysis, followed by types of retirement plans, investment considerations and Social Security. Regulatory considerations were rated the lowest in terms of both importance and expertise. Other categories were rated at lower expertise levels and of moderate importance. See Fig. 8 for the Retirement Planning IEM.

#### 4.8. Estate planning findings

Estate planning documents was rated the most important topic by respondents, however characteristics and consequences of property titling was rated at the highest expertise level, and second most important. Other topics of higher importance and expertise included methods of property transfer at death, fiduciaries, and gifting strategies. Other topics were of less importance and expertise with postmortem estate planning techniques, estate planning for nontraditional relationships, valuation issues, generations-skipping transfer tax, and gift tax compliance and tax calculation rated lowest in both domains. See Fig. 9 for the Estate Planning IEM.

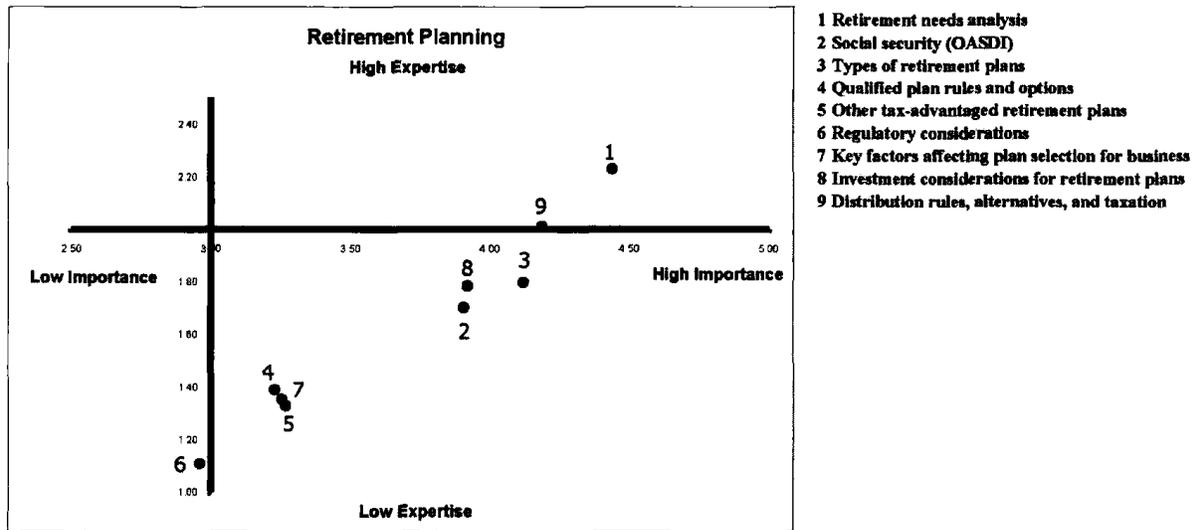


Fig. 8. Retirement Planning IEM

4.9. Other themes findings

CFP Board added several of these topics as an addendum to the 2004 topic list. Although not currently tested, CFP Board-Registered Programs are encouraged to teach these topics and the topics are now eligible for continuing education credit. Among these topics, principles of communication and counseling was rated the highest in importance and expertise, followed by client-planner interactions and client and planner attitudes.

Additional topics were added in this theme including current industry events, current business environment and climate, and business management. These topics were all rated at a lower importance and expertise level compared to the client centered topics in the theme.

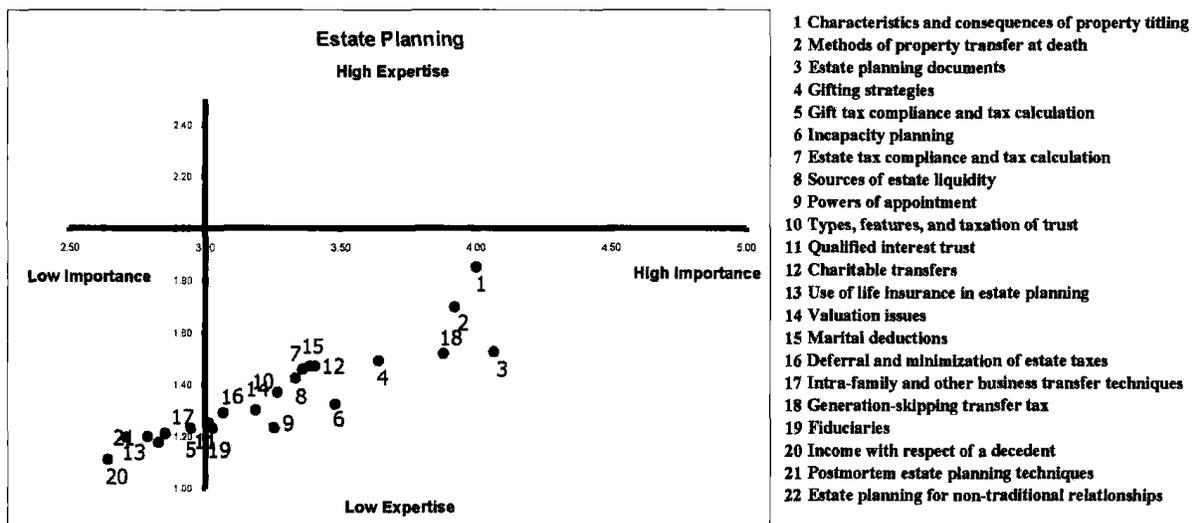


Fig. 9. Estate Planning IEM

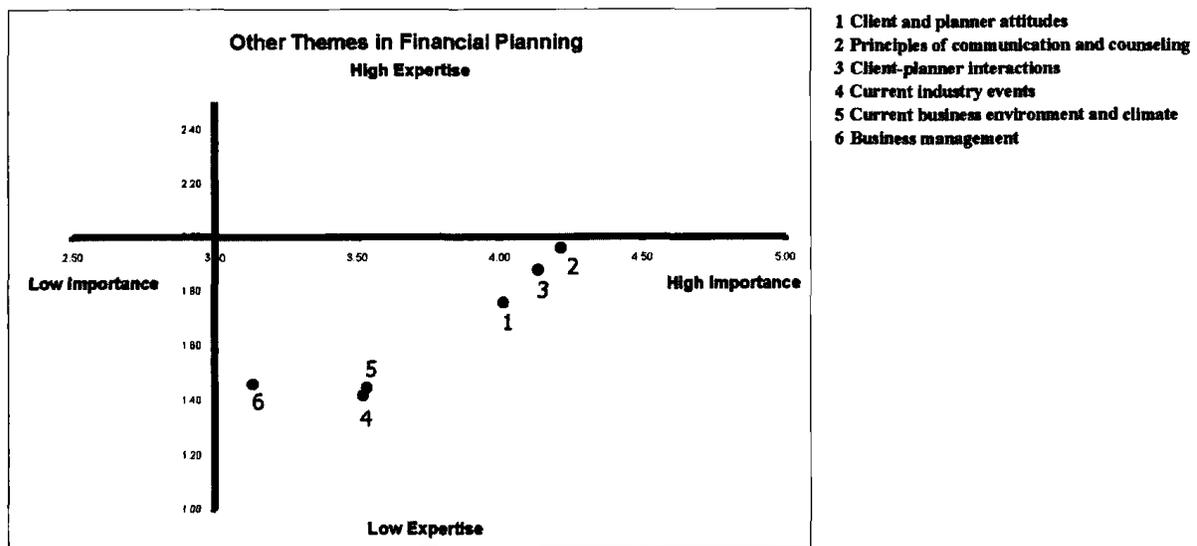


Fig. 10. Other Themes IEM

Business management was rated the least important, but at the same expertise level as current business environment and climate and current industry events. See Fig. 10 for the Other Themes in Financial Planning IEM.

#### 4.10. Personal skills and qualities findings

Although not specifically listed in the Topic List for CFP Certification Examination, personal skills and qualities were included in the survey to gauge and demonstrate the importance of these skills and qualities in entry-level planning positions. Communication skills was rated at the highest importance and expertise levels, followed in importance by critical thinking and organizational skills. Technology and leadership were rated as important, but at average expertise levels. Interestingly, marketing and sales skills were rated lowest in importance and expertise, though the topic was still rated at above average importance. See Fig. 11 for the Personal Skills and Qualities IEM.

#### 4.11. Overall observations

Of the themes, personal skills and qualities contains the greatest number of competencies that were rated in Quadrant I of the IEM, or rated as “important” to “very important” and expertise of “apply and analyze.” These competencies include organizational skills, critical thinking skills, and communication skills. The general principle topics in Quadrant I were financial statements, cash flow management, and time value of money concepts and calculations. The only investment planning topic rated in Quadrant I was asset allocation and portfolio diversification. Among retirement topics, retirement needs analysis and distribution rules, alternatives, and taxation were rated in Quadrant I.

Competencies in Quadrant III that ranked as “of no importance” or “of little importance”

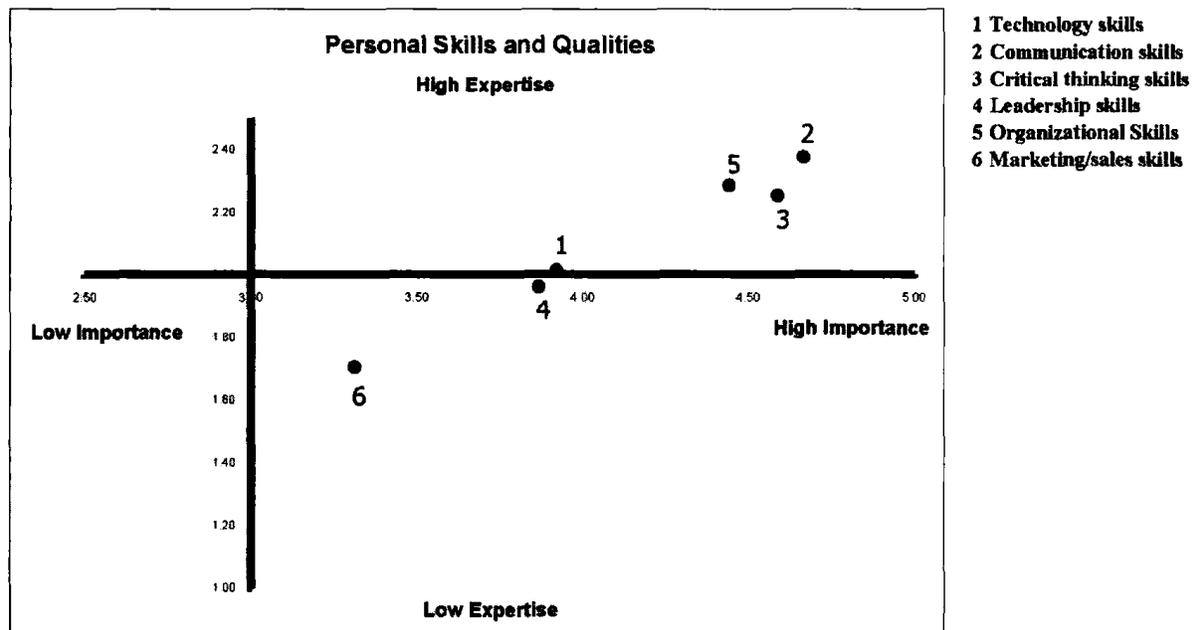


Fig. 11. Personal Skills and Qualities IEM

and “remember and understand” were business law and consumer protection law (fundamentals); asset pricing model (investments); business use of insurance (insurance planning and risk management); regulatory considerations (retirement planning); group life insurance, group disability insurance, group medical insurance and other employee benefits (employee benefits); characteristics and income taxation of business entities, depreciation and cost-recovery concepts, tax consequences of like-kind exchanges and passive activity and at-risk rules (tax planning); postmortem estate planning techniques, valuation issues, estate planning for nontraditional relationships, qualified interest trust, generation-skipping transfer tax, and gift tax compliance and tax calculation (estate planning).

Eighty-one percentage of the competency areas were ranked as being important skills for new hires, that is, “of moderate importance” to “very important.” The skills that were perceived as being “of little importance” or “of no importance” and received the five lowest average scores were valuation issues, tax accounting, tax consequences of like-kind exchanges, postmortem estate planning techniques, and depreciation and cost-recovery concepts.

On the other hand, approximately 10 of the 101 competency areas (9.9%) had mean expertise scores greater than or equal to 2.0, signifying a desired expertise level of apply and analyze and/or evaluate and create. The competencies that respondents wanted entry-level planners to exhibit at higher levels of expertise were (1) technology skills, (2) distribution rules, alternatives, and taxation, (3) asset allocation and portfolio diversification, (4) financial statements, (5) cash flow management, (6) retirement needs analysis, (6) critical thinking skills, (7) organizational skills (8) time value of money concepts and calculations, and (9) communication skills, in ascending order.

#### 4.12. Degrees and certifications desired

Respondents were asked what type of degree was sought when hiring an entry-level graduate. Sixty-six percentage of respondents reported seeking graduates with a financial planning degree, followed by 50% seeking a bachelor's in a business area and 35% for a bachelor's in any area. In terms of graduate degrees, 31% of respondents look for a master's degree in financial planning followed by 22% seeking an MBA. Other graduate degrees desired, though to a lesser extent, were master's degree in any business area and law (JD).

Significant differences were found regarding the desired level of importance and expertise of competencies between those seeking entry-level hires with degrees in financial planning versus others. The following differences were tested using a  $\chi^2$  analysis at a significance level of  $p < .05$ .

Within general principles, the financial planning process and the CFP Board code of ethics were ranked at a higher level of importance by those seeking entry-level graduates with a financial planning degree than by those seeking hires with other types of degrees. Financial statement analysis and education planning were ranked both at a higher level of importance and a higher level of expertise. Other competencies ranked at a higher level of importance were cash flow management; the function, purpose, and regulation of financial institutions; time value of money; and business law. Within insurance planning, only business use of insurance and insurance needs analysis were ranked at a higher importance level by those seeking entry-level hires with financial planning degrees than by others. The competencies within tax planning that were ranked higher importance were income tax law fundamentals, tax compliance, and tax consequences of like-kind exchanges. Asset pricing models was the only investment planning competency to be ranked at a higher importance, and gifting strategies was the only competency in estate planning. See Table 1 for a tabular representation of these findings.

In addition to college/university degrees, financial planning firms require or encourage entry level financial planning graduates to pursue selected designations and certifications. The CFP certification was the designation respondents were most likely to require or encourage for their entry-level hires. CFP certification was sought or encouraged by 91% of respondents, far more than the next designation, the Chartered Financial Analyst (CFA) chosen by only 20% of respondents. Rounding out the list were Certified Public Accountant (CPA) and Chartered Financial Consultant (ChFC), chosen by 13% and 11%, respectively. Others, all receiving less than 10% of responses, were the Certified Retirement Counselor (CRC), Chartered Life Underwriter (CLU), Accredited Financial Counselor (AFC), Certified Investment Management Analyst (CIMA), Accredited Investment Fiduciary (AIF), and Enrolled Agent (EA).

Regarding CFP certification, respondents were asked if their firm had a specific policy. Forty-one percentage indicated that the certification must be complete within a specific period of time, and 12% responded certification is required for employment. Twenty-five percentage of respondents said that the certification was desired, but not required. Only 15% reported their firm had no policy regarding CFP certification.

Table 1 Differences in importance and expertise by degree(s) desired

Competency	Difference within*	% Desiring financial planning degree	% Desiring any degree
Six steps of the financial planning process	Importance	100%	85%
CFP Board's code of ethics	Importance	98%	85%
Financial Statements	Importance	100%	85%
Financial Statements	Expertise	86%	65%
Cash flow management	Importance	98%	81%
Function, purpose, and regulation of financial institutions	Importance	82%	58%
Education planning	Importance	88%	54%
Education planning	Expertise	67%	38%
Economic concepts	Importance	88%	62%
Time value of money concepts and calculations	Importance	98%	85%
Business law	Importance	71%	46%
Business use of insurance	Importance	75%	50%
Insurance needs analysis	Importance	96%	81%
Asset pricing model	Importance	69%	42%
Income tax fundamentals	Importance	86%	65%
Tax compliance	Importance	48%	42%
Tax consequences of like-kind exchanges	Importance	63%	31%
Gifting strategies	Importance	96%	77%

\* Differences significant at  $p > .05$ .

## 5. Implications for CFP board-registered programs

This study was not intended to duplicate or replace the CFP Board Job Analysis. The purpose was to refine and tailor the results of that job analysis for CFP Board-Registered degree program academic curriculum. Although programs must teach the topics on the topic list, one must remember the CFP certification examination is developed to assess the ability of an examinee's capability of practicing without supervision, and that is not typically an entry-level position.

The results of this practice analysis focused on entry-level practitioners provide direction for curriculum development by analyzing not only the importance of each topic, but also the expertise level expected by prospective employers. Financial planning curriculum can be further tailored or initially developed using this information to produce a graduate that is well prepared to enter the field and that can be more productive, thus reducing training costs to employers.

The results of this study also provide direction into what employers seek in a financial planning degree, and what items may separate the expectations of respondents who are actually looking for graduates with financial planning degrees from those who are looking to hire graduates with other degrees. Significant differences in importance and expertise were prevalent in the categories of general principles, tax, and estate planning among respondents who chose entry-level hires with financial planning degrees compared to others.

At an individual course level, this information can aid an instructor in determining the

amount of time and focus required for each topic within a course to meet the competency level and expertise desired by employers. Additionally, the instructor can discover the level of expertise which a student should perform within each of the topics, helping to design course curriculum and projects more effectively.

From the student and program perspective, the results of this study emphasize the importance of CFP certification to these employers. The results not only emphasize the importance of the certification itself, but its importance relative to other designations and certifications. Based on these results, programs should actively encourage their students to pursue CFP certification at or shortly after graduation to meet the desires of potential employers.

## **6. Limitations and future research**

Limitations are apparent in this research. The sample size was relatively low because of the length of the survey. The sample was heavily weighted toward registered investment advisors compared with broker-dealers and other types of financial services professionals. The sample was also heavily weighted toward fee-only compensation models compared with commission combinations.

Future research directions include replication with a larger, more diverse sample that would allow for analysis between compensation models, business size, business type, whether designations such as the CFP are required, and other employer demographics. A larger sample would also lead to more robust analytics of the data. Future research that delves more deeply into each subject area would be useful to further develop curriculum that produces well qualified entry-level practitioners.

In addition, future research should be modified to include the updated CFP Job Task Domains and Principal Topics from the 2009 Job Analysis Study that will replace the current Topic List in 2012. This includes eight task domains and 78 principal topics that update the current 89 topics from the 2004 Job Analysis Study.

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## Appendix A: Competencies with mean importance and expertise

		Importance (1–5)	Expertise (1–3)
Grand topic averages			
1	General Principles	3.59	1.58
2	Insurance Planning and Risk Management	3.55	1.62
3	Employee Benefits Planning	3.01	1.37
4	Investment Planning	3.71	1.70
5	Income Tax Planning	3.24	1.44
6	Retirement Planning	3.70	1.63
7	Estate Planning	3.27	1.36
8	Other Themes in Financial Planning	3.76	1.65
9	Personal Skills and Qualities	4.13	2.10
General principles			
1	Financial planning process	4.30	1.68
2	CFP Board's Code of Ethics	4.30	1.51
3	CFP Board's Financial Planning Practice Standards	3.71	1.38
4	Financial statements	3.95	2.05
5	Cash flow management	4.09	2.05
6	Financing strategies	3.47	1.69
7	Function, purpose, and regulation of financial institutions	3.16	1.23
8	Education planning	3.32	1.66
9	Financial planning for special circumstances	3.09	1.42
10	Economic concepts	3.56	1.42
11	Time value of money concepts and calculations	4.29	2.29
12	Financial services regulation and requirements	3.22	1.22
13	Business law	2.83	1.21
14	Consumer protection law	2.93	1.27
Insurance planning and risk management			
1	Principles of risk and insurance	3.84	1.66
2	Analysis and evaluation of risk exposure	3.71	1.66
3	Property, casualty, and liability insurance	3.33	1.48
4	Health insurance and health care cost management	3.33	1.42
5	Disability income insurance (individual)	3.59	1.64
6	Long-term care insurance	3.55	1.63
7	Life insurance	3.99	1.85
8	Income taxation and life insurance	3.61	1.63
9	Business use insurance	2.99	1.29
10	Insurance needs analysis	3.95	1.99
11	Insurance policy and company selection	3.17	1.56
Employee benefits planning			
1	Group life insurance	2.97	1.41
2	Group disability insurance	2.93	1.34
3	Group medical insurance	2.95	1.31
4	Other employee benefits	2.97	1.32
5	Employee stock options	3.13	1.42
6	Stock plans	3.07	1.41
7	Nonqualified deferred compensation	3.03	1.38

(Continued)

## Appendix A: Continued

		Importance (1–5)	Expertise (1–3)
<b>Investment planning</b>			
1	Characteristics, uses, and taxation of investment vehicles	3.99	1.78
2	Types of investment risk	4.05	1.78
3	Quantitative investment concepts	3.28	1.47
4	Measure of investment returns	3.80	1.78
5	Bond and stock valuation concepts	3.25	1.50
6	Investment theory	3.96	1.79
7	Portfolio development and analysis	3.82	1.88
8	Investment strategies	3.76	1.67
9	Asset allocation and portfolio diversification	4.32	2.01
10	Asset pricing model	2.83	1.29
<b>Income tax planning</b>			
1	Income tax law fundamentals	3.48	1.45
2	Tax compliance	3.00	1.35
3	Income tax fundamentals and calculations	4.03	1.89
4	Tax accounting	2.67	1.15
5	Characteristics and income taxation of business entities	3.20	1.29
6	Income taxation of trust and estates	3.39	1.48
7	Basis	3.87	1.91
8	Depreciation and cost-recovery concepts	2.60	1.19
9	Tax consequences of like-kind exchanges	2.65	1.24
10	Tax consequences of the disposition of property	3.16	1.38
11	Alternative minimum tax	3.33	1.40
12	Tax reduction and management techniques	3.47	1.58
13	Passive activity and at-risk rules	2.76	1.25
14	Tax implications of special circumstances	3.47	1.49
15	Charitable contributions and deductions	3.52	1.54
<b>Retirement planning</b>			
1	Retirement needs analysis	4.44	2.23
2	Social security (OASDI)	3.91	1.70
3	Types of retirement plans	4.12	1.80
4	Qualified plan rules and options	3.23	1.39
5	Other tax-advantaged retirement plans	3.27	1.33
6	Regulatory considerations	2.96	1.11
7	Key factors affecting plan selection for business	3.25	1.35
8	Investment considerations for retirement plans	3.92	1.78
9	Distribution rules, alternatives, and taxation	4.19	2.01
<b>Estate planning</b>			
1	Characteristics and consequences of property titling	4.00	1.85
2	Methods of property transfer at death	3.92	1.70
3	Estate planning documents	4.07	1.53
4	Gifting strategies	3.64	1.49
5	Gift tax compliance and tax calculation	2.95	1.23
6	Incapacity planning	3.48	1.32
7	Estate tax compliance and tax calculation	3.36	1.46
8	Sources of estate liquidity	3.33	1.42

(Continued)

## Appendix A: Continued

		Importance (1–5)	Expertise (1–3)
9	Powers of appointment	3.25	1.23
10	Types, features, and taxation of trust	3.19	1.30
11	Qualified interest trust	2.83	1.18
12	Charitable transfers	3.01	1.25
13	Use of life insurance in estate planning	3.39	1.47
14	Valuation issues	2.71	1.20
15	Marital deductions	3.27	1.37
16	Deferral and minimization of estate taxes	3.41	1.47
17	Intra-family and other business transfer techniques	3.07	1.29
18	Generation-skipping transfer tax	2.85	1.21
19	Fiduciaries	3.88	1.52
20	Income with respect of a decedent	3.03	1.23
21	Postmortem estate planning techniques	2.64	1.11
22	Estate planning for nontraditional relationships	2.79	1.20
Other themes in financial planning			
1	Client and planner attitudes	4.01	1.76
2	Principles of communication and counseling	4.21	1.96
3	Client-planner interactions	4.13	1.88
4	Current industry events	3.52	1.42
5	Current business environment and climate	3.53	1.45
6	Business management	3.13	1.46
Personal skills and qualities			
1	Technology skills	3.92	2.01
2	Communication skills	4.67	2.37
3	Critical thinking skills	4.59	2.25
4	Leadership skills	3.87	1.96
5	Organizational Skills	4.44	2.28
6	Marketing/sales skills	3.31	1.70

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