

A NEW PROFESSION

When I first entered the financial services business after graduating from college, you were either a stockbroker or a life insurance agent. Financial planning as a profession was in its infancy.

The College of Financial Planning was established in 1971 and the professional CFP (Certified Financial Planner) designation was offered later. To add some perspective, the state of New York gave its first CPA (Certified Public Accountant) examination in 1896. So why has financial planning been such a late bloomer as a profession?

The short answer is there was not much need for personal financial advice prior to the '70s. Here are a couple reasons why:

Back in the '50s, only a small percentage of wealthy people could afford to be in the stock market. You needed a lot of money to buy individual stocks. The entry level was high as was the risk.

Investors back then stuck with the blue-chip stocks that paid a dividend or highly rated bonds to reduce their risk. The idea of diversification was not widely understood, nor would it have been practical.

Then came along the idea of mutual funds, whereby an investor could buy a whole basket of stocks. Investors were able to lower their risk by owning literally hundreds of stocks and/or bonds within the framework of a mutual fund. Also, the threshold to purchase stocks was lowered so that many people could now afford to be investors.

At the same time, 401(k) plans began to replace traditional defined benefit pension plans which were great, but expensive for employers. Employees participated in these plans and were required to make their own investment decisions.

For many, this was their first experience with investing. Today, the number of people who invest in the stock market in some way is quite high. We're all investors!

Unfortunately, money doesn't come with an owner's manual. The markets, taxes, and the economy can be complex and ever changing.

The greater a person's wealth and success, the greater the need for holistic financial, tax, and investment planning. This is why many people turn to qualified financial professionals who help them find their way through the maize and accomplish their financial goals.

Back in the day, a corporate executive had a company pension. When they retired, the pension replaced 70-80% of their income. There was really not much incentive to save or invest. They worked to 65, then retired with a guaranteed income for life. Income could also continue for a spouse.

There was no need to worry about the stock market. Today, there are few of these plans remaining.

Also, people are living longer and longer. I know personally about a half dozen people who will reach age 100 this year. One is 104 and doing great!

A person can be retired, living off their investments for a long time – maybe for a longer time than they spent working and accumulating. Investing wisely is not an academic exercise, it's a necessity and of utmost importance. No one wants to run out of money during their lifetime.

Back in the '50s and '60s, it was not uncommon to see someone retire at 65, sit on the porch for a few years and pass away in their early 70s. The social security system and pensions worked great because they didn't have to pay for long. Now those systems are strained with people living into their 90s and even 100s.

Financial planning and investing are now a necessity, and you can't afford to make any big mistakes. These are all reasons why a new profession has developed and continues to be recognized.

It's a noble profession, and I'm proud to be a part of it. We help people achieve their financial and retirement planning goals, thus allowing them to focus on what is really important to them in their personal lives and eliminating their need to worry about money.



This **Industry Insight** was written by Garrett S. Hoge.

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