Frontline News

The New CFPs (Chinese Financial Planners)

If China today is akin to where the U.S. was a century ago, then the Chinese financial planning industry currently is where its U.S. counterpart was roughly 40 years ago—inchoate and an unknown quantity trying to prove its worth to investors. To help bridge that gap, 43 U.S. financial planners (and one Canadian planner) recently participated in the 2011 Sino-U.S. Dialogue on Financial Planning, a series of meetings over 12 days in late May and early June coordinated by the Financial Planning Association and the Financial Planning Standards Board China (FPSB China). The FPA invited the planners to fly to China on their own dime to meet with Chinese financial planners, exchange ideas, and help kick their industry into a higher gear.

"It's a relatively young industry that's only about five years old," says Carol Lampe, a Pittsburgh-based financial planner who participated in the U.S. delegation. "They really wanted to learn from us. They use our entire financial planning process and go through exams like we do. They know what the process is, but they have hurdles to go through."

Chinese advisors are a young lot with an average age of 32 years. "This is the first generation of wealth [in China], and so this is the first generation of advisors," says Dan Moisand, a principal at Moisand Fitzgerald Tamayo LLC in Melbourne, Fla., a trip participant. "And they have no mentors to learn from."

The two sides met in Beijing, Guilin and Shanghai. Moisand says they talked about some technical aspects, such as joint accounts (which don't exist in China), but they mainly discussed how to educate clients and help them understand basic, solid financial principles such as setting financial goals and not taking on too much risk or chasing returns. "The Chinese are new to capital markets, so they have the opportunity to both invest and to speculate. It kind of reminds me of the day trading craze here in the U.S. ten or 15 years ago," he says.

One of the obstacles faced by Chinese advisors, Lampe observes, is that the Chinese don't open up to outsiders, which makes it hard for planners to probe deeply enough to accomplish the planning process. She adds that Chinese planners also face unrealistic expectations from clients who hit them up with a familiar request—"Just give me something with a high return and no risk."

Lampe says she discovered the average Chinese investor is fixated on real estate. "To them, real estate is the only thing that will provide for their retirement," she notes. "They can't get enough of it, and don't seem to grasp that the bubble is going to burst." Meanwhile, the Chinese government is trying to douse the speculative frenzy by increasing minimum down payments and limiting the number of properties people can buy.

For their part, Chinese financial planners peppered their U.S. counterparts with questions about the types of products they use for their clients. "A lot of us use mutual funds, but that's not a developed product in China," Lampe says, adding that the Chinese expressed an interest to someday visit their American colleagues in the U.S.

For his part, Moisand says the advisory exchange of ideas was a success for both sides. For the U.S. delegation, it helped the FPA stay connected with the global financial planning movement. For the Chinese, "it helped young planners there learn the counseling side of the business and the interpersonal communications skills that will benefit them."

CORRECTION

An article in the July issue of *Financial Advisor* entitled "A Record Year For RIAs" included an incorrect footnote No. 2. The footnote should have read "2011 Schwab Independent Advisor Outlook Study" rather than "2011 Schwab Investment Outlook Study."