



BUSINESS PLAN
ISO/TC 222
Personal financial planning

EXECUTIVE SUMMARY

The total number of persons who call themselves “personal financial planners” is not possible to estimate. For example, the estimated number of U.S. “financial advisers” ranges from 800,000 to several million, depending on the definition used to describe “financial adviser.” This dilemma is true in all of the other countries as well.

The category of personal financial planner/adviser may include: personal bankers, stock brokers, financial consultants, money managers, pension managers, insurance agents, mutual fund company employees, accountants, lawyers, trust officers, and employee benefit consultants. Certain of the above categories are regulated in each of the countries but it is sporadic and not standardized.

The demand for personal financial planning advice is growing exponentially as the need for counsel on the complexity of reaching financial security increases. This market is limited to individuals as single customers or as family units. Family units may also include a small business as well. Customers do not include governments, mid or large businesses, industries, institutions or large pension funds.

The most specific hurdle in the financial planning world is the incongruous nature of regulation. Country-by-country legislation focuses more on the regulation of financial product distribution, not on the process of advice given by an individual planner. In most countries, regulation centers on investment products, insurance schemes, mutual funds, bank offerings and how they are sold to consumers. In addition, several countries regulate both firms and individuals, while others only regulate one distribution method. Finally, there is no coordinated effort about how advice and financial products will be regulated over the Internet. It is hard to distinguish independent portal sites (those not operated by regulated brokers) from those of regulated brokers. These barriers speak directly to a need for a universal standard of conduct so that consumers can be assured that they are receiving competent and ethical and consistent financial planning advice.

The main objective of ISO/TC 222 is standardization in the field of financial planning, including standardization of the certification of practitioners based upon elements of education, examination, experience and ethical conduct, and standardization of the personal financial planning process which typically includes, but is not limited to, the six elements of establishing and defining the client/planner relationship, gathering client data including goals, analyzing and evaluating the client’s financial status, developing and presenting financial planning recommendations and/or alternatives, implementing the financial planning recommendations and monitoring the financial planning recommendations.

1 INTRODUCTION

1.1 ISO technical committees and business planning

The extension of formal business planning to ISO Technical Committees (ISO/TCs) is an important measure which forms part of a major review of business. The aim is to align the ISO work programme with expressed business environment needs and trends and to allow ISO/TCs to prioritize among different projects, to identify the benefits expected from the availability of International Standards, and to ensure adequate resources for projects throughout their development.

1.2 International standardization and the role of ISO

The foremost aim of international standardization is to facilitate the exchange of goods and services through the elimination of technical barriers to trade.

Three bodies are responsible for the planning, development and adoption of International Standards: [ISO](#) (International Organization for Standardization) is responsible for all sectors excluding Electrotechnical, which is the responsibility of [IEC](#) (International Electrotechnical Committee), and most of the Telecommunications Technologies, which are largely the responsibility of [ITU](#) (International Telecommunication Union).

ISO is a legal association, the members of which are the National Standards Bodies (NSBs) of some 140 countries (organizations representing social and economic interests at the international level), supported by a Central Secretariat based in Geneva, Switzerland.

The principal deliverable of ISO is the [International Standard](#).

An International Standard embodies the essential principles of global openness and transparency, consensus and technical coherence. These are safeguarded through its development in an ISO Technical Committee (ISO/TC), representative of all interested parties, supported by a public comment phase (the ISO Technical Enquiry). ISO and its [Technical Committees](#) are also able to offer the ISO Technical Specification (ISO/TS), the ISO Public Available Specification (ISO/PAS) and the ISO Technical Report (ISO/TR) as solutions to market needs. These ISO products represent lower levels of consensus and have therefore not the same status as an International Standard.

ISO offers also the International Workshop Agreement (IWA) as a deliverable which aims to bridge the gap between the activities of consortia and the formal process of standardization represented by ISO and its national members. An important distinction is that the IWA is developed by ISO workshops and fora, comprising only participants with direct interest, and so it is not accorded the status of an International Standard.

2 BUSINESS ENVIRONMENT OF THE ISO/TC

2.1 Description of the Business Environment

The following political, economic, technical, regulatory, legal and social dynamics describe the business environment of the industry sector, products, materials, disciplines or practices related to the scope of this ISO/TC, and they may significantly influence how the relevant standards development processes are conducted and the content of the resulting standards:

Scope: Standardization in the field of financial planning, including standardization of the certification of practitioners based upon elements of education, examination, experience and ethical conduct, and standardization of the personal financial planning process which typically includes, but is not limited to, the six elements of establishing and defining the client/planner relationship, gathering client data including goals, analyzing and evaluating the client's financial status, developing and presenting financial planning recommendations and/or alternatives, implementing the financial planning recommendations and monitoring the financial planning recommendations.

Dynamics:

- Economic: increasing globalization of financial markets and greater reliance on the individual consumer to provide for his/her own financial security.
- Technical: increasing use of Internet to provide consumers with information about and access to the global financial markets. Increasing complexity of financial products.
- Regulatory: patchwork of country regulation of financial advice and products.
- Societal: national governments are less interested in providing citizens with financial security, therefore, pushing the responsibility to the individual. When seeking professional help, consumer has no uniform standard to judge the competency or ethics of the adviser; one who has the client's interest first.
- International: increasing mergers and acquisitions of global financial firms. Sources of products are less clear (banks, insurance companies, mutual funds, brokers); consumer is less able to distinguish between products and to judge their value in reaching particular financial goals.

2.2 Quantitative Indicators of the Business Environment

The following list of quantitative indicators describes the business environment in order to provide adequate information to support actions of the ISO/TC:

The past two decades have witnessed two major trends in the financial services arena. The first is the globalization of the financial markets and the increased access to those markets by non-institutional players. The second is the decreasing reliance of the industrialized nations on government-based retirement and health plans. Individuals/families must rely more heavily on their own resources than on socialized governments to provide for financial benefits.

These major trends first took shape in the U.S. after World War II. The country entered a long period of prosperity, while at the same time, becoming aware of investment opportunities beyond the New York Stock Exchange. American investors were becoming more sophisticated and the number of wealthy Americans was increasing. In the mid-1960's a group of advisers (lawyers, certified public accountants, insurance agents, stock brokers) had noticed that their clients needed more sophisticated financial advice than any one related discipline could handle. By 1970, an affinity group known as the International Association of Financial Planners was formed; and, a U.S. standardized educational program combined the disciplines of personal tax, employee benefits, insurance planning, risk management, investment strategies, retirement planning and estate planning.

As European countries moved away from socialization during the 1980's and as access to the world financial markets became easier, the notion of personal financial planning spread across the globe – Australia, Japan, U.K., France, Germany, Switzerland, New Zealand, South Africa, Canada, Hong Kong, Malaysia, South Korea, India, Brazil, Netherlands, Sweden, Singapore.

The total number of persons who call themselves “personal financial planners” is not possible to estimate at this time. For example, the estimated number of U.S. “financial advisers” ranges from 800,000 to several million, depending on the definition used to describe “financial adviser.” This dilemma is true in all of the other countries as well. For example, the number of shares in 2001 being traded on the New York Stock Exchange increased 20% from the previous year. And worldwide holding company profits of the U.S. securities industry were projected to reach \$28.2 billion in 2001 (Securities Industry Association, 2001).

The category of personal financial planner/adviser may include: personal bankers, stock brokers, financial consultants, money managers, pension managers, insurance agents, mutual fund company employees, accountants, lawyers, trust officers, and employee benefit consultants. Certain of the above categories are regulated in each of the countries but it is sporadic and not standardized.

Consumers looking for assistance with handling the increased complexity of the financial markets remain uncertain as to the first or next steps in meeting financial goals. Additionally, consumers are seeking help from persons who may or may not be qualified to give advice. Based on a 1999 survey, an estimated 49.2 million households in the U.S. now own equities either in mutual funds or individually (Securities Industry Association and the Investment Company Institute, 1999). In the UK all advisers are required to be qualified and to maintain their competence.

The market structure is divided into two major areas of distribution of financial advice. The first is through personnel at financial services institutions (banks, stock brokerage firms, insurance companies, mutual funds). The second is through independent personal financial planners who are not associated formally with an institution.

Within the first distribution arena, the major market players are any one of the global financial or any similar regional or country-specific institution. The second distribution conduit does not lend itself to making a major market player but, as a group, the independent adviser has a strong voice among the players. In the U.S., for example, of the approximately 600,000 financial advisers, almost 40,000 have agreed to abide by a voluntary certification that represents the elements of the ISO/TC222 scope. Sixteen other countries have developed similar programs based on the U.S. model and affiliated directly with the U.S. organization.

The current UK distribution system is being reviewed, which may result in a greater number of levels than at present. This will affect the qualification adoption in the UK.

The demand for personal financial planning advice is growing exponentially as the need for counsel on the complexity of reaching financial security increases. This market is limited to individuals as single customers or as family units. Family units may also include a small business as well. Customers do not include governments, mid or large businesses, industries, institutions or large pension funds.

The customers demand that their interests and needs come before those of the planner or institution and that their financial security needs are met within time limits and within risk tolerances. A client also demands integrity, fairness, objectivity, competence, confidentiality, professionalism and diligence that exemplify professional behavior.

Globalization of financial markets will continue to expand through multi-national mergers and acquisitions as well as through the rapid increase in the use of the Internet. Consumers now can

access planners and planning information at over 3,000 sites (recent YAHOO search on “personal financial planning”). Thirty-four million households in the U.S. now have access to the web. Nearly two-thirds of commercial banks have web sites. All of the 20 largest consumer banks now offer on-line services. Individual investors can now follow the stock markets worldwide on the Internet as well as on CNN and other radio and television broadcasts. Mutual funds also invest in international stocks thereby creating opportunities for consumers to invest in overseas markets.

The size of the market is extremely difficult to estimate but the increasing reliance of worldwide consumers on providing for their own financial security is driving the increased demand for competent and ethical financial planning practitioners. Governments around the world that once provided health, pension and other financial benefits for their citizens have been rapidly shifting the responsibility to the individual. This creates confusion for the average consumer who is unsure where to go for reliable, unbiased advice. For example, in the U.S., households earning \$US50,000 or more is currently at 42.7% (2000 census), or, the number of people aged over 65 years in Hong Kong is expected to double to 20% of the population in the next 30-40 years. These types of statistics point to the increasing need by consumers for competent and ethical financial planning advice.

The most specific hurdle in the financial planning world is the incongruous nature of regulation. Country-by-country legislation focuses more on the regulation of financial product distribution, not on the process of advice given by an individual planner. In most countries, regulation centers on investment products, insurance schemes, mutual funds, bank offerings and how they are sold to consumers. For example, in February 2001, the European Committee of Wise Men issued a report describing the reason for proposing changes to the current regulatory structure and its recommendation for reform. Its report concludes that regulatory reforms are necessary to produce an integrated securities market, which would yield significant economic benefits in Europe. This report resulted in the establishment of a European Securities Committee (ESC) and a Committee of European Securities Regulators (CESR) in June 2001. In addition, several countries regulate both firms and individuals, while others only regulate one distribution method. Finally, there is no coordinated effort about how advice and financial products will be regulated over the Internet. It is hard to distinguish independent portal sites (those not operated by regulated brokers) from those of regulated brokers. These barriers speak directly to a need for a universal standard of conduct so that consumers can be assured that they are receiving competent and ethical and consistent financial planning advice.

3 BENEFITS EXPECTED FROM THE WORK OF THE ISO/TC

Standards developed by ISO/TC 222 are primarily focused on the standardization of the personal financial planning process and how it is applied by practitioners who have met education, examination, experience and ethical conduct standards.

As individuals become more responsible for their own financial security, and international markets/events/trends have a greater impact on that security, the need for qualified financial planners has grown. An individual who seeks financial planning advice expects competent and ethical services based on his or her needs. The public expects that financial planners are qualified and will follow a well-defined process that puts the client's interests and needs first. International standards will help the public by establishing a common financial planning process. This will assure greater consumer confidence, and will lead to increased professional cooperation among and within nations by persons offering such services.

ISO/TC 222 has developed four working groups that will concentrate on the first round of international standards ever to be developed in this area. Whether these standards will be

voluntary or integrated into a country's legislation remains to be seen. Either way, the consumers will be benefited by the knowledge.

4 REPRESENTATION AND PARTICIPATION IN THE ISO/TC

4.1 Countries/ISO members bodies that are P and O members of the ISO committee

4.2 *Analysis of the participation*

While there are 19 participating members of the TC, the countries most involved are the U.S., the U.K., Australia, Austria, France, Germany, Japan, Korea, Malaysia, Netherlands, Norway, Singapore, South Africa and Sweden. Over time as personal financial planning becomes more popular with consumers, this may shift to countries with naturally larger populations. India, China and Brazil are the next potential large markets for emerging economies and increasingly sophisticated consumers.

Membership in 2004	
Americas	21.0%
EAMA	41.3%
PacRim	31.5%

Several international organizations have identified individuals who serve as technical experts or sit on the respective country advisory group. The professions and organizations represented include accounting, fee-only financial planning, Certified Financial Planner® certificants, and members of financial planning, financial services and consumer organizations.

Financial planning is an emerging profession in many countries. Those countries that have identified financial planning as a viable and necessary function to assist its citizenry are active in ISO/TC 222 standards development. Because some countries' governments provide lifetime services for its citizens, financial planning would not be a service sought by the population.

5 OBJECTIVES OF THE ISO/TC AND STRATEGIES FOR THEIR ACHIEVEMENT

5.1 *Defined objectives of the ISO/TC*

The TC has had four official meetings -- its inaugural meeting in the United States in February 2001, and meetings in Japan in 2002, Australia in 2003, and Malaysia in 2004. Its next meeting will be in early 2005. The first objective, to approve the scope statement, has been accomplished.

Standardization in the field of financial planning, including standardization of the certification of practitioners based upon elements of education, examination, experience and ethical conduct, and standardization of the personal financial planning process which typically includes, but is not limited to, the six elements of establishing and defining the client/planner relationship, gathering client data including goals, analyzing and evaluating the client's financial status, developing and presenting financial planning recommendations and/or alternatives, implementing the financial planning recommendations and monitoring the financial planning recommendations.

The second objective, which has been completed, was to form working groups to begin the work of developing standards based on the scope statement.

5.2 Identified strategies to achieve the ISO/TC's defined objectives

Four Working Groups have been approved by the TC members.

Working Group 1 (ISO/TC222/WG1) is entitled "Definition of Personal Financial Planning." Its work items are (1) definitions, process and practices; (2) the process of personal financial planning (including input, output and advice); and (3) practice management (including continuing self-assessment).

Work Group 2 (ISO/TC222/WG2) is entitled "Requirements for Competence," with a scope statement that embodies the requirements for competency of a personal financial planner. Its work items re (1) competencies; (2) demonstration of initial competencies; and (3) demonstration of continuing competency.

Working Group 3 (ISO/TC222/WG3) is entitled "Ethical Principles." Its primary work item is ethical principles, including codes of ethics and personal responsibility and disciplinary rules and procedures.

Working Group 4 (ISO/TC222/WG4) is entitled "Experience Requirement." Its working item will be to define the standard(s) that specify the experience required to competently perform the functions of a financial planner.

6 FACTORS AFFECTING COMPLETION AND IMPLEMENTATION OF THE ISO/TC WORK PROGRAMME

The following identified factors may affect, to a lesser or greater degree, the development of particular standards in accordance with the objectives of this business plan:

- a. There was difficulty in finding both the appropriate project leaders and new expert participants at the WG level. This is no longer an issue.
- b. Canada terminated its request to be the convener for WG3. The United Kingdom has assumed responsibility for WG3.
- c. New Zealand terminated its convenership for WG4. The United Kingdom has assumed responsibility for WG4.
- d. The cost of hosting meetings continues to be a concern. Electronic communication and the new ISO-hosted web sites have assisted the progress of work to a degree.

7 STRUCTURE, CURRENT PROJECTS AND PUBLICATIONS OF THE ISO/TC

This section gives an overview of the ISO/TC's structure, scopes of the ISO/TCs and any existing subcommittees and information on existing and planned standardization projects, publication of the ISO/TC and its subcommittees.

7.1 Structure of the ISO committee

7.2 Current projects of the ISO technical committee and its subcommittees

7.3 Publications of the ISO technical committee and its subcommittees

Reference information

[*Glossary of terms and abbreviations used in ISO/TC Business Plans*](#)

[*General information on the principles of ISO's technical work*](#)