

THE HISTORY OF
FINANCIAL
PLANNING



The
Transformation of
Financial Services

E. DENBY BRANDON JR.
H. OLIVER WELCH

FOREWORD BY MARVIN W. TUTTLE JR.

THE HISTORY OF
**FINANCIAL
PLANNING**



The
**Transformation of
Financial Services**

E. DENBY BRANDON JR.
H. OLIVER WELCH

FOREWORD BY MARVIN W. TUTTLE JR.

Table of Contents

[Title Page](#)

[Copyright Page](#)

[Dedication](#)

[Foreword](#)

[Preface](#)

[Acknowledgements](#)

[CHAPTER 1 - A New Profession Emerges](#)

[Before the Revolution](#)

[A Meeting of the Minds](#)

[The First Challenges](#)

[A College Takes Shape](#)

[CHAPTER 2 - Building a Profession](#)

[Defending a Designation](#)

[Breaking Away](#)

[Coming Together, Growing Apart](#)

[Financial Crisis and Upheaval at the IAFP](#)

[Financial Crisis at the College](#)

[A Creed and a Curriculum](#)

[Change and Growth at the College](#)

[The Anthes Years](#)

[The ICFP Forges a Separate Identity](#)

[Newmark at the Wheel](#)

[Return to Denver](#)

[CHAPTER 3 - Growing Pains](#)

[Changing the Message, Changing Attitudes](#)
[The SRO Debate and the “Real Thing”](#)
[Unsettled Times at the IAFP](#)
[Education and Ethics at the ICFP](#)
[Getting Off the Gravy Train](#)
[A Board of Standards Emerges](#)
[The College Hits Its Stride](#)

[CHAPTER 4 - One Profession, One Designation](#)

[The Challenge to “Unify and Professionalize”](#)
[The Joint Organization Committee](#)
[Rebuilding Separately](#)
[Strengthening Professional Standards](#)
[College for Financial Planning Makes Key Moves](#)
[The Personal Economic Summit](#)
[New Directions](#)
[The Foundation for Financial Planning](#)
[Storm over “CFP Lite”](#)
[Unification Revisited](#)

[CHAPTER 5 - Responding to New Challenges](#)

[Building a New Organization](#)
[CFP Board Fleshes Out Its Mission](#)
[Crisis and Catastrophe](#)
[Favorable Signs](#)
[Financial Planning Standards Board](#)
[Raising the Bar for Education and Ethics](#)
[The Broker-Dealer Exemption](#)
[Global Financial Crisis](#)
[Transformation and Opportunity](#)

[CHAPTER 6 - Global Expansion](#)

[First Forays](#)
[Financial Planning Comes to Australia](#)
[Japan Joins the Movement](#)
[IBCFP Takes Charge](#)
[Global Growth Accelerates](#)
[ISO Standard: Complement or Competition?](#)
[FPSB: From Concept to Reality](#)
[Launched at Last](#)
[A Tiger in the East ...](#)
[... And a Celtic Tiger](#)
[Conditions for Success](#)
[A Global Standard Emerges](#)

[CHAPTER 7 - Theory, Technology, and Process](#)

[The Technology Revolution](#)
[The Benefits of Diversification: Modern Portfolio Theory](#)
[The Probability Approach: Monte Carlo Simulation](#)
[The Balancing Act: Asset Allocation](#)
[Behavioral Finance](#)
[Life Planning and Interior Finance](#)
[A Proliferation of Practice Models](#)

[CHAPTER 8 - The Quest for Professional Status](#)

[The Education of a Financial Planner](#)
[Educational Opportunities Expand](#)
[Examination: Proving Mastery](#)
[Experience in the Practice](#)
[Ethical Standards: The Early Years](#)
[Ethical Standards: A New Watchdog](#)
[Ethical Standards: Strengthening the Code](#)
[Ethical Standards: A Fiduciary Obligation](#)
[A Single Designation](#)
[The Compensation Question](#)

[Government Regulation](#)
[Serving a Social Benefit](#)
[Public and Media Recognition](#)
[The Quest Continues](#)

[CHAPTER 9 - The Next 40 Years](#)

[“Is Capitalism Working?”](#)
[A “New Different” for Financial Planning](#)
[A Long Tail](#)
[Here Comes the Age Wave](#)
[Maslow Meets Retirement](#)
[Redefining the Model for Advice](#)
[The Final Frontier: Reaching the Mass Market](#)
[The Importance of Scale](#)
[New Technologies: Web 2.0 and Beyond](#)
[The Next Generation of Planners](#)
[All Eyes on Washington](#)
[Financial Literacy: A Radical Notion](#)

[*Epilogue*](#)

[APPENDIX A - Financial Planning Leadership through the Years](#)

[APPENDIX B - The History of Financial Planning Timeline](#)

[APPENDIX C - Quick-Reference Guide to Organizations and Designations](#)

[APPENDIX D - Financial Planning History Center](#)

[APPENDIX E - First Graduating Class of the College for Financial Planning](#)

[APPENDIX F - Affiliates of Financial Planning Standards Board \(FPSB\)](#)

[APPENDIX G - Recipients of the P. Kemp Fain, Jr., Award](#)

[Notes](#)

The History of Financial Planning

*The Transformation of
Financial Services*

E. DENBY BRANDON, JR.

H. OLIVER WELCH



WILEY

John Wiley & Sons, Inc.

Copyright © 2009 by E. Denby Brandon, Jr. and H. Oliver Welch. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Brandon, E. Denby, 1927-
The history of financial planning : the transformation of financial services / E.
Denby Brandon, Jr., H. Oliver Welch. p. cm.

Includes bibliographical references and index.

eISBN : 978-0-470-55379-4

1. Financial planners-History. 2. Financial services industry-History.

I. Welch, H. Oliver, 1935- II. Title.

HG179.5.B73 2008

332.6'2-dc22

2008001412

This book is dedicated to the Certified Financial Planner Board of Standards, Inc., the Financial Planning Association, and the National Endowment for Financial Education, which inspired us to write it, and to the more than 120,000 Certified Financial Planner™ certificants in 20 nations who are committed to bringing the values of financial planning to consumers.

Foreword

It's not every day a profession is born.

If you have picked up this book, you most likely are involved in financial services, an industry comprising academics; product providers; financial planners; practitioners of specialized disciplines such as tax planning, accounting, or investment management; and organizations that provide oversight, education, and benefits to the industry's constituents. The focus here is on financial planning and the people and events that helped transform a concept of service into a profession of service. This is the history of financial planning.

You could say it started with one man, Loren Dunton, a mutual fund salesman with a desire to do more than sell products; he wanted to offer services and advice that would help his clients. But he knew he couldn't breathe life into this notion single-handedly. One man became two, became 13, and on December 12, 1969, became the College for Financial Planning and the International Association for Financial Planners. Yet even then, financial planning's genesis was in its early stages. It took a growing community of men and women sharing a noble calling, and the passion to cultivate it, for the profession to take root.

This book follows financial planning's odyssey over four decades, surveying a varied landscape of revelations and revolutions, false starts, missteps, survival, defeat, separation and union, innovation, trials, and triumphs. It presents a chronology of the profession's development by way of internal and external events, with a substantial thread of humanity woven in, as we introduce some key contributors to financial planning's story. Indeed, we present

only *some* events and names, for to include in these pages everyone and everything that has played a role would be impossible. When it gets down to it, though, while those who lead and explore in any field clearly deserve recognition, it's what they create and discover that should endure, more than their celebrity.

The board of directors and staff of the Financial Planning Association appreciate the opportunity to contribute to this significant effort championed by E. Denby Brandon, Jr., CFP, and H. Oliver Welch, CPA, CFP, veterans and leaders of the financial planning movement. They devoted extraordinary personal effort, time, and financial resources to collecting volumes of accounts, dates, statistics, and their colleagues' stories as the basis of this history. Without a doubt, it was a labor of love and took an unswerving dedication to tell a powerful story of 40 years that, until now, has never been brought together in one place. I cannot thank them enough.

To reflect on these first 40 years of the financial planning profession is exciting. I am impressed and humbled by all that has been accomplished in this journey toward legitimacy. I am encouraged by the increasing reach of financial planning into the world, be it through new member organizations and educational programs in other countries, or the growing ranks of financial planners here in the United States, or in serving a wider range of demographics. I watch the impact of the profession's voice on legislative activities and decisions, and the energy generated by prolific, progressive research. I am touched by the generosity and compassion that so many financial planners exhibit through pro bono and volunteer work. I am heartened by financial planners' ability to deftly guide anxious clients through economic challenges. At the time of this book's publication, planners and clients together are being tested to their cores like never before. When the next edition of this history is updated, I believe that the wisdom and power of

professionals who employ the financial planning process will prove to be a saving grace for many individuals and families in desperate times. This is where the financial planning profession of today will come of age, living by the immutable code on which it was built and on which it will base its future.

I hope you will learn from this history of financial planning, regardless of what business you're in or whether you're new or a veteran in your career. I hope this book adequately conveys to you the heart, soul, and tireless commitment that have added to the depth and richness of this profession. If you're a financial planner, I hope this historical perspective will demonstrate the scope of the community to which you belong. I hope you'll understand the critical relationship of the varied elements that play a part in this profession's excellence, such as academic research, product development, and legislative advocacy. Finally, I hope this history of financial planning will inspire you to be clear in your mission, adhere to your truths, and help your fellow residents of this world thrive and prosper.

MARVIN W. TUTTLE, JR.
Executive Director/CEO,
Financial Planning Association

Preface

It was noon on September 10, 2000, in the Top of the Hub restaurant. The view of downtown Boston was spectacular. Amid throngs of people were members of the global financial planning community attending the inaugural Success Forum of the Financial Planning Association. The occasion was the annual luncheon for past chairs of the Certified Financial Planner Board of Standards. The group felt it was time to initiate a project to preserve the history of our new profession. Prior efforts of the individual organizations were related to turf battles as opposed to preserving the history. It was time to record our past as we united to build a stronger profession. Patti Houlihan, CFP Board chair, said, "Denby and Oliver, as past chairs of CFP Board, will you assume responsibility for the project?" It was decided that a project of this magnitude should be a collaborative effort of CFP Board, the Financial Planning Association, and the National Endowment for Financial Education. When contacted, each group felt it was a worthwhile endeavor and pledged their support. We promised to fund the project and contribute all royalties to the development of the financial planning profession and later expanded the agreement to include the Archives of Financial Planning, which was established at Texas Tech.

Our research consisted of the three main methods: literature review, survey instruments, and personal interviews. Our literature research included reviewing past minutes of the board of directors' meetings of the International Association for Financial Planning, the Institute of Certified Financial Planners, and the Financial Planning Association, along with committee reports of these

organizations. We reviewed numerous financial publications. We mailed surveys to those who had been involved in the IAFP and ICFP, to leaders of FPA (formed in 2000 by the union of the IAFP and ICFP), College for Financial Planning, NEFE, and CFP Board. Personal interviews were conducted over the phone, in individual meetings, and with the assistance of the faculty of Texas Tech University at several FPA annual conferences. These interviews have been recorded and archived at Texas Tech.

The foundation of professional financial planning involves the way financial decisions are made. The pioneers of the movement knew instinctively that financial services consumers needed an objective professional involved in improving their financial decision-making processes. Financial planning was born in the midst of a market break and recession in the United States in 1969 and is celebrating its fortieth anniversary in the midst of a market break and recession in 2009. It is during challenging economic times that the services of financial planners are tested.

There are at least five areas where financial planning has made significant contributions toward improving people's lives in both good and bad economic times during these 40 years:

1. Professional education programs for financial planning practitioners
2. Professional management of clients' financial assets
3. Financial literacy and maturity programs for consumers
4. Individual and family financial habits programs
5. Programs to help people's careers and investments be more profitable and to achieve more equitable ownership societies

In Chapter 1, we give you a picture of the environment out of which the financial planning movement emerged. We take you inside the watershed December 1969 meeting in Chicago that launched the movement. We begin introducing you to the cast of characters, including Loren Dunton, James R. Johnston, and Lewis Kearns. This cast included visionary, courageous, and talented people. A majority of them put the movement ahead of their personal goals. It also included others who were long on ego and short on performance. They were in the mix that laid the foundation for the most important new profession created in the last half of the twentieth century. This caused our interest in understanding them to rise to a new level. In Chapter 2, we take you through the formative years from the early 1970s through 1985. These years marked the near demise and the early glory years of the College for Financial Planning. Anthony Sorge and William Anthes were new factors in this drama. It included the phasing out of Loren Dunton and the emergence of J. Chandler Peterson. The membership organization, IAFP, found a profit center. The CFP professional group, ICFP, entered the scene. Kemp Fain and David King were early ICFP forces.

In Chapter 3, we focus on the last half of the 1980s. This was dominated by the lawsuit drama that ended in the formation of the International Board of Standards and Practices for Certified Financial Planners. The early story of what the IBCFP did with its ownership of the marks included decisions that vastly expanded the horizons of the financial planning movement and profession.

In Chapter 4, essentially the 1990s, we tell the story of the landmark event of the merger of the ICFP and the IAFP into the FPA at the end of the decade. The decade also marked a turning point for the College for Financial Planning. In 1992, the college created the National Endowment for Financial Education as a holding company. In 1997, NEFE sold the

college to the Apollo Group, a for-profit firm. This changed NEFE's role permanently. NEFE became primarily a financial public education program to serve all Americans. This was also a decade in which the CFP grassroots community spoke out against CFP Board's proposed Associate CFP designation. In Chapter 5, we focus on the new era begun with the birth of the 30,000-member Financial Planning Association in 2000. The momentum of a united membership organization was contagious. The unity was a big factor in financial planning's creative response to the dot-com market bust that began in 2000. Among the many accomplishments of FPA was the first National Financial Planning Week in 2002. The creation of the Financial Planning Standards Board in 2004 and the development of financial planning practice standards in the United States were both noteworthy.

In Chapter 6, we view the global expansion saga of the financial planning movement. It is the story of how the movement grew from only 42 CFP certificants in 1973, all from the United States, to over 120,000 CFP certificants in 20 nations in 2009.

In Chapter 7, we address the interaction of financial planning research, growth, and the world of technology. The incredible growth of technology during this 40-year period is detailed.

In Chapter 8, we trace the emerging growth of financial planning as a profession: education, examination, experience, ethics, method of compensation, government regulation, and social purpose.

In Chapter 9, we outline possible challenges and opportunities as the financial planning movement and profession face the future.

In its first 40 years, the financial planning profession has discovered and developed a dazzling treasure of potential, which is the heart of our story. Today there is even greater potential for the future. However, a clear view and a short distance are not necessarily the same thing. Also, the percentage of potential realized varies greatly. Within the ferment of the current turbulence and change it will be fascinating to determine how much of the short-term potential is realized and how solid a foundation is laid for the development of the long-term potential.

We are continuing our research program and encourage you to forward any comments to us at P.O. Box 770870, Memphis, TN, 38177-0870.

E. DENBY BRANDON, JR.
H. OLIVER WELCH

Acknowledgments

This project encompassed the 40-year history of the center of our major life work, took eight-and-a-half years, included encounters and transactions with hundreds of persons worldwide, and included dozens of people who partnered with us in understanding scores of documents, minutes, and periodicals. This makes it difficult to do justice to acknowledgments.

First, we thank CFP Board, the FPA board, and the NEFE board, and those individual members who selected us for this project in September 2000 and also those who supported us from beginning to end. This group included Patricia Houlihan, Elaine Bedel, Fredrick E. "Rick" Adkins, III, Tom Potts, Janet McCallen, Tim Kochis, Gwen Fletcher, G. Joseph Votava, Sr., Bill Carter, Roy Diliberto, William L. Anthes, Brent Neiser, Nan Mead, Ben Coombs, Graydon Calder, Robert Goss, and Elissa Buie.

Second, there were many other financial planning leaders who made numerous special contributions. These included Donald Pitti, Lewis Kearns, James R. Johnston, Eileen Sharkey, Dick Wagner, Lewis Wallensky, Noel Maye, John Carpenter, Alexandra Armstrong, Suze Sato, Harold Evensky, Deena Katz, Dan Parks, Guy Cumbie, James Barnash, Dave Yeske, William Hoilman, Henry Montgomery, Lewis J. Walker, Jack Blankinship, Robert J. Oberst, and scores of others.

Third, we could not have done the work without our home base at Brandon Financial Planning, Inc. in Memphis, Tennessee, and the use of the corporation's technology facilities. The support of the corporate management staff, Ray Brandon, Denby Brandon III, and Gary Kieffner, and the

corporate administrative leaders, Lori Clark and Judy Pierce, was constant. Members of the Brandon Research Organization staff, including Thelma F. Scott, coordinator, Betty Potts, Melissa Danielson, and William Brandon, worked competently and diligently during both the workweek and weekends over the whole period.

Fourth, we are most grateful for the talent and dedicated work of all of our professional partners. Authors Michael Leslie and John Harkins made valuable suggestions during our research. Marvin Tuttle, Mary Corbin, Maureen Peck, Nancy Friedman, Catherine Newton, and Shelley Lee were invaluable in editing our work. We are most appreciative of the unique contributions of Bill Falloon and the development editing staff of John Wiley and Sons, Inc., including Meg Freeborn, Emilie Herman, and Laura Walsh. Their high ethical standards, objectivity, and availability were of great value to us in our integrity goal of accuracy, completeness, and balance, and in many other ways.

Fifth, we wish to express our appreciation to our wives, Helen Brandon and Pat Welch. They continued to support our efforts even when we seemed to let this project consume our every waking hour 24/7.

E. D. B.
H. O. W.

CHAPTER 1

A New Profession Emerges

To call it an unlikely revolution would be an understatement. One of its principal architects was a onetime vacuum-cleaner salesman who had transformed himself into a marketing consultant and motivational writer. The other was a former insurance salesman turned school-supplies salesman who had a master's degree in psychology. Both were living in Colorado, far from Wall Street or any other financial capital.

The first planning session of the new endeavor, intended as a historic summit meeting, managed to attract just 13 attendees. Its timing—at the onset of one of the worst bear markets in U.S. history—was inauspicious.

Most discouraging of all, the fledgling movement had only the vaguest of action plans. And throughout its early existence, it was starved for capital.

There's no small irony in that last point. The revolution that began in December 1969 was intended to help ordinary Americans gain control over their financial destinies. How could that goal be achieved if the organizations created to realize it were barely solvent themselves?

And yet, despite huge odds, financial planning—the first new profession in the last four centuries—did succeed beyond the most fervent hopes of the revolution's founders, not just in the United States but around the world. Forty years after the profession's inauspicious birth, there are

more than 120,000 CFP professionals around the world, educated in scores of colleges and universities.

This is the story of that astonishing success, of the people who built the movement, and of the seminal concepts that contributed to a robust and dynamic—and continuously growing—body of knowledge.

Before the Revolution

Worldwide, 1969 was a year of dramatic milestones. In July, Neil Armstrong became the first person to set foot on the moon. *Midnight Cowboy*, *Butch Cassidy and the Sundance Kid*, and *The Wild Bunch* shook up the movie industry. Overseas, the war in Southeast Asia continued to escalate: More than 600,000 U.S. and allied troops were fighting in Vietnam, and the United States secretly bombed Communist bases in Cambodia—a harbinger of a more general attack that would take place the following year. But it was hard to see a reflection of those cultural changes in the financial services industry.

For decades, financial services had meant primarily one thing: sales. Mutual funds had been introduced in 1924, making it easier for small investors to enter the stock market. A decade later, the Roosevelt Administration successfully pushed for legislation to protect investors from a recurrence of the 1929 crash: The Securities Act of 1933, the Securities Exchange Act of 1934 (which created the Securities and Exchange Commission), and the Investment Advisers Act of 1940 established guidelines for regulating the investment industry and provided for disclosure and investor education.

And then, over the next 30 years, little changed. As the years rolled by, the same few large securities firms—whose

salesmen were paid on commission—sold equities to wealthy clients. Banks provided trust services, also to wealthy individuals. For average Americans, an “investment” meant a life insurance policy, usually traditional whole life with a guaranteed death benefit and a guaranteed cash value; insurance salesmen also worked on commission. Lawyers drafted wills, created trusts, and sometimes gave tax advice; certified public accountants filed tax returns. The term *financial planner* was rarely used, and when it was, it often identified an insurance agent who offered estate planning and annuities in addition to life insurance. Or a “planner” might have a dual license in insurance and mutual funds. The financial planning process as it is known today was then only a loosely defined idea.

Rich White, an early chronicler of the financial planning profession, wrote about those early years:

*As late as 1960, life insurance was the substance of financial planning. ... By definition, a financial planner was an insurance man who offered the public more than money-if-you-die. Financial planners ... estimated estate tax payments for wealthy customers and sold insurance to fund those payments. They formed clinics in which they analyzed financial goals and sold packages of life insurance, disability insurance and annuities.*¹

But even though the surface remained placid, there were stirrings of innovation. Servicemen returning from World War II and the Korean War created new markets for financial products, and a booming economy meant there was cash to invest. The traditional American way of retirement—supported by a company pension and Social Security checks—while still dominant, was being challenged: In 1962, when Congress passed the Self-Employed Individuals Retirement Act (better known by the name of its sponsor,

Representative Eugene J. Keogh of New York), it gave partnerships and unincorporated businesses the same tax advantages only corporations had previously enjoyed.

Meanwhile, creative thinkers in academia, government, and business were beginning to reexamine the old financial services models and tinkering with new ones. Their ideas would have far-reaching consequences for the entire industry—including the handful of men who conceived of an entirely new approach to delivering financial services.

A Meeting of the Minds

Financial planning's official birth took place on December 12, 1969, in a hotel meeting room near Chicago's O'Hare Airport. Although the gathering's organizers, Loren Dunton and James R. Johnston, had contacted everyone they knew in financial services, only 11 men showed up, paying their own expenses to travel from Florida, New York, Ohio, and Pennsylvania. They included insurance salesmen and salesmen of mutual funds and securities. One was a financial consultant. One was a publicist. Many were members of the insurance industry's prestigious Million Dollar Round Table, which since 1927 has represented the most successful insurance and financial products sales professionals in the United States and the world.

These men came out of curiosity and a sense of shared mission: to raise the level of professionalism in retail financial services and to make "financial consulting," rather than salesmanship, the driving force of their industry.

Dunton and Johnston had been planning the meeting for months. They had first met the previous summer in Colorado, where both men lived. Johnston, a 35-year-old former life-insurance salesman who was selling school

supplies, had come to Dunton's home in Littleton to get a copy of one of Dunton's books, *How to Sell Mutual Funds to Women*. But both men quickly found they had something bigger in common: a desire to improve the way financial services were provided. They also agreed that ongoing professional education would provide the route to that improvement.

Johnston had long been fascinated with motivational speakers. "I listened to them every chance I got," he reflected, decades after his first meeting with Dunton. "I was always impressed with their ability to motivate me. The trouble was, I'd stumble back to earth when I walked outside." Johnston thought the answer lay in "a follow-up educational program for new concepts and motivational speakers." He saw in Dunton a conceptual thinker and motivator, and regarded himself as the educator who would follow up after Dunton introduced his new concepts at motivational events.

At first, Dunton lacked Johnston's keen interest in education. However, he did recognize Johnston's talent for sales and promotion, and saw mutual benefit in an ongoing association. The two men continued to meet over the next 12 months, and on June 19, 1969, Loren Dunton registered a nonprofit 501(c)(3) corporation in Colorado to further the goals they'd been discussing. He called it the Society for Financial Counselling Ethics. (The name was later changed to the Society for Financial Counseling.)

The society's charter identified two purposes for the organization:

1. To supply recognition to those who meet not only the legal but also the ethical standards of financial counseling and conscientiously share their wealth of knowledge with the public

2. To establish an educational institute providing a certification program outside of either the mutual fund or insurance industry, to indicate the ability and desire in specific individuals, and to provide objective guidance and assistance to the public in the form of financial counseling

In addition to Dunton, the SFCE's trustees were Robert Leary of Denver, retired director of sales of Westamerica Securities; and Dr. Daniel Kedzie of Chicago, former director of education of the Chartered Life Underwriter (CLU) program. Dunton persuaded six additional men to serve on the board: Lewis Kearns, from Wellington Management; Jack Glassford, from International Securities; D. Russell Burwell, of Myerson & Co., a New York Stock Exchange member and a customer for Dunton's training films; Ben Cascio of *Mutual Fund Magazine*; Dr. Arthur Mason, dean of the University of Denver; and Walter Fischer, vice president of the Mutual Funds Council.

Despite this impressive roster, the SFCE floundered, raising only \$3100 in its first nine months. (Dues had been set at \$500 a year.) Although its stated goals were lofty, it offered no clear benefits to participants. For its mission to be realized the SFCE would need to be supplanted by a more effective organization.

Nevertheless, when he greeted his 11 invitees in Chicago on December 12, 1969, Dunton still felt bullish about his plan and his organization. And he refused to be discouraged by the small turnout. He believed his consulting firm, Loren Dunton Associates, could guide and finance the two new organizations that emerged from the two days of meetings in Chicago: a membership organization, the International Association of Financial Counselors;² and an educational institution, the International College for Financial Counseling, which would become the College for Financial

Planning in mid-1970. Dunton also believed that the group's collective talents would attract additional capital.

Dunton turned out to be wrong about the capital, but his assessment of the attendees' talents was accurate. Though small, the group was skilled, experienced, and committed.

Lewis G. Kearns was director of financial planning for the Wellington Management Company, near Philadelphia, manager of the \$1.5 billion Wellington Fund; he had strong convictions about the way mutual fund salesmen would be trained, and would eventually serve as the first chairman of the board of regents of the College for Financial Planning.

Robert Leshner of Cincinnati was already practicing diversified financial counseling with his firm, W.D. Gradison & Co. Like Kearns, he was passionate about professional education and a promoter of early workshops held by the fledgling IAFC.

Herman W. (Hy) Yurman was vice president of the Planning Corporation of America in St. Petersburg, Florida. He proposed that the educational program lead to a professional designation to be called Certified Financial Counselor.

Hank Mildner, a mutual fund salesman from Pompano Beach, Florida, brought his deep concerns about ethics to the meeting. He shared with the group a story about a widow who had lost more than \$10,000 in a mutual fund; she had told the salesman, "All I want is safety of my principal"—instructions the salesman blithely disregarded.

Kearns, Leshner, Yurman, Mildner, and the other attendees returned the following day, December 13, to meet with representatives of Dunton's Society for Financial Counselling Ethics. After agreeing that the new membership organization and college would be managed by Dunton's company, LDA, they returned to their homes, ready to begin

the crucial committee work that would build the foundations of the new institutions.

Two weeks later, on December 30, President Richard Nixon signed the Tax Reform Act of 1969, the most sweeping tax bill since the income tax was introduced in 1913. The act closed loopholes and dramatically altered tax rates, and had important consequences for investors and their advisers. But it could not stop the advent of the 11-year bear market that began in 1970—a downturn that created a new national anxiety that financial planners were poised to alleviate.

The Chicago 13

The 13 men who attended the December 1969 planning session in Chicago were:

1. **Herbert Abelow:** Queens County, New York. Vice president of sales for one of the largest offices of Dreyfus, a respected name in the mutual fund industry.
2. **Loren Dunton:** Littleton, Colorado. Meeting organizer; founder of Society for Financial Counselling Ethics; organizer of the December 1969 planning session.
3. **Walter Fischer:** Million-dollar mutual-fund salesman for Baxter, Blydern, Selheimer & Co.; vice president of the Mutual Funds Council.
4. **Jerrold Glass:** St. Petersburg, Florida. Regional vice president of Supervised Investors Services. Served on the first education committee (1970-1972) and on the College for Financial Planning's first board of regents.

5. **John Hawkins:** Pompano Beach, Florida. Owner of John Hawkins & Co., Inc., a securities firm. Served on the IAFC's original board.
6. **James R. Johnston:** Denver, Colorado. Co-organizer of planning session; became College for Financial Planning's first employee.
7. **Lewis G. Kearns:** Philadelphia. Director of financial planning, Wellington Management Company, which managed the \$1.5 billion Wellington Fund. Chaired the planning session; served as interim chair of the education committee; served two years as College for Financial Planning's first board of regents chairman and later returned for a third term.
8. **Lyle Kennedy:** New York City. Principal in a broker membership.
9. **Robert Leshner:** Cincinnati. Salesman for W.D. Gradison & Co.; early promoter of IAFC sales workshops and memberships.
10. **Hank Mildner:** Pompano Beach, Florida. Veteran mutual fund salesman for Consolidated Securities.
11. **Charles Weitzberg:** A friend of Loren Dunton's.
12. **Herman W. (Hy) Yurman:** St. Petersburg, Florida. Vice president of Planning Corporation of America, a life insurance subsidiary of Raymond James and Associates. Served on first education committee; assisted in writing CFP curriculum.
13. **Gerald Zipper:** New York. Publicist and publisher of a financial newsletter.

Profile: Loren Dunton

By the time he met James R. Johnston in 1968, Loren Dunton was 50 years old and had already had several lifetimes' worth of experience. Born in the small mining town of Trail, British Columbia, he led "an exciting bachelor life in Seattle, Alaska, and San Francisco" before marrying at age 29, according to a biographical note. He sold vacuum cleaners and encyclopedias, then moved to Colorado, where he reinvented himself as a financial consultant and mutual-fund salesman. When Dunton was 45, he learned to parachute and published his first book, *Self Discipline*. It was followed by 12 more books with titles like *How to Sell Mutual Funds to Women*, *Your Book of Financial Planning*, and *Prime Time: How to Enjoy the Best Years of Your Life*. He made enough money from *How to Sell Mutual Funds to Women* to be able to take his wife and two daughters on a year-long trip around the world. Upon his return, he visited Donald Pitti—who would later assume a leading role in the financial planning movement—at Pitti's office at New York investment firm Arthur Wiesenberger & Co. "He told me that everywhere he went in Europe, people asked him why, if the United States was such a great country, its citizens had to rely on Social Security for their retirement," Pitti later recalled. "He thought we had to improve the way financial products were sold and delivered in this country."

Back in Colorado, Dunton started a consulting firm whose clients were mutual funds and insurance