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The Value of Financial Designations: A Consumer Perspective

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Executive Summary

- Throughout their lifetimes, consumers use financial service professionals to achieve important financial goals and ensure financial well-being, often turning to these professionals as their levels of income and investable assets necessitate professional-level guidance.
- This study evaluated the impact of consumer perceptions of a person's financial designations/credentials on the rate of compensation to the professional when controlling for consumer age, income, and investable assets.
- The study further evaluated the impact of consumer perceptions of financial designations/credentials on consumers' perceived value received when controlling for consumer age

- Using data from Advisor Impact's 2014 "Economics of Loyalty Research" survey, this study found that consumers who valued designations, as well as those with higher incomes and investable assets, paid advisers more than those who did not.
- For advisers, these results provide support for the acquisition of designations as a means for greater perceived value on behalf of the consumer, and ultimately, higher levels of compensation.

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Consumers are faced with difficult financial decisions throughout their lifetimes. Those facing intertemporal choices often delegate the costs of researching them to financial advisers (Guillemette and Jurgenson 2017; Chira 2016; Bae and Sandager 1997). A financial adviser is responsible for using the information received from a consumer to make informed recommendations regarding optimal choices for the consumer's financial plan. The consumer relies on the expertise and professional judgment of a financial adviser when delegating these research activities.

However, consumers may not be aware of the level of competence of their financial advisers (Camarda 2015). To make more informed decisions about the advisers they want to hire, consumers rely on signals that advisers provide, such as their financial designations (Lemoine 2013). Credentialed advisers may be perceived by consumers as having higher levels of knowledge and/or competence than non-credentialed professionals. Because of this information asymmetry, consumers may be willing to pay more for credentialed advisers, whom they perceive as providing more value through reducing consumers' monitoring costs and residual losses. Consumers selecting advisers without designations may incur lower direct costs for services, but they may also have higher monitoring costs and may experience residual losses due to their non-credentialed advisers' potentially poor recommendations, compensation structures, and lack of professionalism.

Credentialed advisers incur higher bonding costs through attaining designations (Cummings 2017). However, these advisers are willing to incur these higher initial costs to reduce higher agency costs in the future, such as the costs of client acquisition and attrition (Lemoine 2013). Conversely, non-credentialed advisers lower their initial bonding costs by not obtaining designations, but they may incur higher agency costs later as they deal with attrition and the cost of acquiring new clientele (Lemoine 2013).

The question remains: do consumers value financial services received from credentialed advisers more than the services received from non-credentialed advisers? In this paper, the theoretical models of agency theory and signal theory were used to answer this question. Agency theory was used to test if consumers were willing to incur higher bonding costs in order to lower monitoring costs. Signal theory was tested to determine if there was weight to the signal (professional designation), and if consumers were willing to pay more for a credentialed adviser.

Literature Review

Many titles are used to refer to professionals working in the financial services sector. The terms "financial adviser," "financial planner," and "financial professional" are frequently used synonymously. The role is operationally defined by Lemoine (2013) as a financial service professional (FSP) who provides investment, insurance, planning, or other financial advice to consumers. By this definition, there are now more than one million FSPs in the U.S., consisting of 271,900 personal financial advisers, 375,700 brokers, and 501,400 insurance

In the financial planning profession, many FSPs choose to advance their knowledge with professional designations. Two of the most common, and those that have been referred to as planning designations, rather than specialists designations (Black, Ciccotello, and Skipper 2002) are the CERTIFIED FINANCIAL PLANNER™ (CFP®) designation, which is administered and enforced by the Certified Financial Planner Board of Standards; and the Chartered Financial Consultant (ChFC®) designation, which is offered by The American College of Financial Services. As of March 31, 2018, there were 79,878 CFP® certificants, according to CFP Board.[2] As of May 11, 2018, there were approximately 55,000 ChFC® designees, according to The American College.[3]

Although licensure and registration requirements for FSPs are standardized to meet minimum professional requirements (such as for practice in securities or insurance), designations/certifications differ in their preparation and focus (Byrne, Valentine, and Carter 2004). Eldridge and Barrett (1994) provided an overview of the different requirements for financial designations (e.g., level of coursework, core competencies, etc.). Smith, Vibhakar, and Terry (2008) mentioned that the skill strengths of the CFP® designation remain in comprehensive planning. Furthermore, Terry and Vibhakar (2006) found that the main reason for FSPs obtaining the CFP® and CFA® designations were broader knowledge and professional credibility. Bae and Sandager (1997) found that consumers preferred FSPs to be competent and knowledgeable and that the overwhelming majority of consumers preferred financial planners to have the CFP® designation.

Additionally, the literature has provided insight into the effect designations have on FSP income (Arman and Shackman 2012; Chu 2003) as well as arguments favoring certain designations over others (Rattiner 2003; Seeber 2014). Arman and Shackman (2012), for example, found that holding the CFP® mark was associated with significantly higher levels of income compared to the ChFC®, Personal Financial Specialist (PFS), or non-designation.

Although prior literature has shown that FSP compensation has increased with the attainment of designations, the study presented here explored compensation further by measuring whether consumer perceptions contributed directly to that increase. In other words, were consumers willing to pay more for credentialed FSPs?

Seay, Anderson, Lawson, and Kim (2017) showed that fee-only consumers found designations/certifications more important than commission-only consumers. Raskie, Herbison, and Martin (2017) found consumer knowledge and understanding of the investment process was partly determined by their knowledge of FSP compensation method and selecting a credentialed FSP.

Although Ligon (2003) established that FSPs acquiring designations could better customize their services to clients and suggested that consumers may value that customization, the study did not provide assurance that consumers were aware of the service benefits of working with FSPs who hold designations. Meanwhile, Lemoine (2013) found that designations, such as the CFP® mark, reduced agency costs and conflicts between the agent (FSP) and the principal (client).

Additional studies have helped provide insight on the impact designations have on consumers as well as their decisions to employ FSPs. Guillemette and Jurgenson (2017) found that consumers' investment choices were influenced (and improved) when they received advice from a CFP® practitioner versus a stockbroker. Sharpe, Anderson, White, Galvan, and Siesta (2007) found that specific communication skills of the FSP (99 percent of which in this particular study were CFP® professionals) improved client trust and commitment. Camarda (2015) explained that consumers may have a hard time distinguishing between designees (and the many designations) and non-designees, while Chira (2016) mentioned that consumers do not utilize FSPs equally. Previous studies (Bae and Sandager 1997, Elmerick, Montalto, and Fox 2002, and Chira 2016) indicated that

A tension exists, however, between FSPs' professionalism and their self-interest, providing another dimension of information asymmetry about which clients may be less aware. In a financial services relationship, a prospect allocates trust to the agent when the prospect finds the agent reliable and credible (Haron, Ismail, and Razak 2011). In marketing to prospective clients, FSPs and the companies that employ them often use financial designations to signify professionalism and trustworthiness, as Cupach and Carson (2002) found in the insurance industry. However, as Carmel, Carmel, Leiser, and Spivak (2015) noted, agent interests do not necessarily align with clients' interests, because agents benefit from the sale of products. Bearden (2002) discussed conflicts of interest when FSPs recommend products with different commission structures, thus forcing a FSP to choose between his or her own best interests or those of the client. Cupach and Carson (2000) also questioned an insurance agent's accountability to the client based on the agent's loyalty to his or her company, seeking to understand what influences agents' product recommendations (including experience, agency type, and professional certification).

Certification

Professional certification, according to Galbraith and Gilley (1986), describes a process that separates practitioners who are competent, capable, and qualified to perform their responsibilities from those who are not. Certification, as defined by Byrne, Valentine, and Carter (2004), is a voluntary process that provides professional recognition and denotes a more advanced level of knowledge, skills, and practice. Licensing, on the other hand, is generally done by a government agency (Dranove and Jin 2010) and is often a requirement of conducting business.

Quality certification communicates the expectations of the profession (Gilley and Galbraith 1986). Consumers rely on this quality disclosure to make important purchases (Dranove and Jin 2010). Important purchases for consumers working with FSPs are comprehensive financial plans, investment management, and other financial products and services. Professional certification protects the public from incompetent practitioners (Galbraith and Gilley 1986).

Certification has been found to positively impact both FSPs and consumers. Galbraith and Gilley (1986) mentioned that certification is a way for professionals to boost their income. Dranove and Jin (2010) posited that consumers are willing to pay a positive amount for any enhancement of quality. Hutchison and Fleischman (2003) maintained that professional designations are perceived by the public as a positive attribute. James (2013) found that FSPs holding the CFP® certification brought calm and certainty to consumers during market underperformance. Therefore, consumers may find more value and be willing to pay more for the expertise of a certified FSP.

Agency Theory

Agency theory is based on optimal contracts between two parties: the principal and the agent (Basu, Lal, Srinivasan, and Staelin 1985). In financial services, the principal (consumer) hires an agent (FSP) to perform financial duties on behalf of the principal (Cummings 2017).

Information asymmetry exists between the FSP (agent) and the client (principal), who is typically less informed about financial planning alternatives (Lemoine 2013). This principal-agent problem is also seen in cases where principals cannot observe the effort levels of agents (Grossman and Hart 1983). This relationship can be further complicated when the agent simultaneously serves another principal—the company (Cupach and Carson 2000).

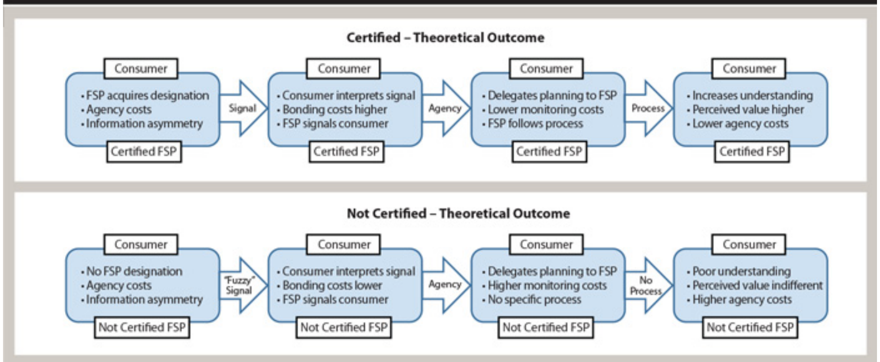
Agency costs arise in the principal-agent relationship. Jensen and Meckling (1976) defined agency costs as monitoring expenditures by the principal; bonding expenditures by the agent; and residual loss, defined as the divergence between the decisions of the agent and the principal. Monitoring costs are borne by the consumer; they occur when the principal is responsible for monitoring the behavior of the agent.

Bonding costs are borne by the agent; such as a FSP obtaining a professional designation turn, consumers are willing to pay a credentialed FSP more for incurring bonding costs (the cost of acquiring a designation) to ensure that the actions of the agent will not harm the principal (Jensen and Meckling 1976). FSPs with higher education, such as professional designations, experience lower bonding costs over time, while consumers lower their monitoring costs (Lemoine 2013). Lower bonding and monitoring costs reduce residual losses by consumers.

However, agents' decisions can diverge from those that would maximize the welfare of principals (Jensen and Meckling 1976). This can elicit myopic behavior where the agent pursues short-term goals at the expense of long-term results (Stathakopoulos 1996), with the principal's decisions leading to increased monitoring costs and residual losses for the principal. Consumers may choose FSPs with financial designations to minimize this divergence. This is because a FSP's credential signals to the consumer a higher level of professionalism.

Figure 1 compares the theoretical outcomes for consumers choosing certified versus non-certified FSPs.

Figure 1: Comparison of Theoretical Outcomes for Consumers Working with Certified versus Non-Certified Financial Service Professionals



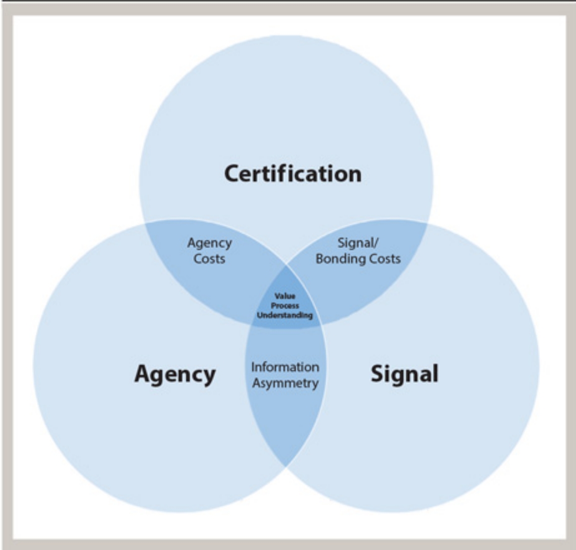
Signal Theory

Signal theory confronts problems with information asymmetry in markets (Morris 1987). Because information is imperfect and obtaining that information incurs costs (Stiglitz 2000), consumers who have imperfect information about anticipated investments of time and money seek indicators of quality to improve their chances of purchasing the most beneficial products and services. Akerlof (1970) found evidence that consumers use some market statistics to judge the quality of prospective purchases. Similarly, consumers may find it difficult to measure the quality of advice from FSPs (Cummings 2017), and thus come to rely on designations as a signal of quality.

Advisers' designations/certifications signal to prospective consumers that they have achieved a certain level of quality and skills relative to other FSPs (Ligon 2003; Smith, Vibhakar, and Terry 2008). Consumers view these signals as an achievement of knowledge and expertise in the financial services profession and may be willing to pay more for this perceived value. More educated FSPs receive higher pay because their education (designation) provides them with a credential (Page 2010).

Figure 2 illustrates the intersection between agency theory, signal theory, and consumers' perceived value when working with credentialed FSPs.

Figure 2: Intersection of Consumer Perceptions of FSP Certification, Agency Theory, and Signal Theory



Value of Financial Planning

The literature on financial services has not yet sufficiently quantified the benefits of financial planning (Hanna and Lindamood 2010) or comprehensively explored the value of financial planning services (Warschauer and Sciglimpaglia 2012). Most of the research that has been done has been sponsored by financial planning organizations (Hanna and Lindamood 2010), although planning firms continue to have little familiarity with how consumers value the advice of comprehensive plans (Warschauer and Sciglimpaglia 2012).

Blanchett and Kaplan (2013) found a new measure of value with their introduction of gamma, the result of which is the consumer making better financial decisions. Their factors for gamma included asset location and withdrawal sourcing, total wealth asset allocation, annuity allocation, dynamic withdrawal strategies, and liability-relative optimization.

Extending the research of Blanchett and Kaplan (2013), Grable and Chatterjee (2014) introduced zeta—how financial advice minimizes wealth volatility. They found that consumer zeta can be obtained by FSPs following the financial planning process. In other words, advice from FSPs is a separate measure apart from other quantifiable aspects of a client wealth management plan (e.g., portfolio returns, taxation, etc.).

This study adds to the existing literature by addressing consumer perceptions of value. This research also addresses Hanna and Lindamood's (2010) concern that the Survey of Consumer Finances did not ask specific questions about when a financial planner was used, nor did it include questions on the training or professional designations of the planner employed.

Whether a FSP provides value to the consumer remains somewhat uncertain (Foerster, Linnainmaa, Melzer, and Previtero 2017). However, consumers face a multitude of areas in which they can seek the advice of FSPs. Because these areas require complex decision-making, there is room for FSPs to provide value. (Foerster et al., 2017). FSPs may also provide value by helping consumers lower their anxiety when investing (Gennaioli, Shleifer, and Vishny 2015).

Consumer perceptions of value are both personal and unique. Zeithaml (1988) defined perceived value as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (page 14).

Life Cycle Theory

The perceived value of employing an adviser may depend on consumer age, income, and investable assets—variables that are addressed by life cycle theory. Although considerable work has been done in life cycle theory (Ando and Modigliani 1963; Jappelli and Modigliani 1998; Modigliani and Brumberg 1954), few studies have explored consumers' willingness to

Researchers have established that consumers with higher incomes and net worth are more likely to use, and pay for, financial planners (Elmerick, Montalto and Fox 2002; Hanna and Lindamood 2010). Finke, Huston, and Winchester (2011) argued that at higher income levels the cost and time to acquire the human capital necessary for financial planning decisions make it more efficient to delegate the work to a FSP. They also found that investors with more wealth are more likely to have complex tax and estate issues. Meanwhile, Elmerick, Montalto, and Fox (2002) found that consumers with high portfolio values also stand to gain from the advice of a FSP.

The literature has not yet clearly established the effects of the interaction between age, income, and investable assets on consumers' willingness to hire and pay FSPs. Elmerick, Montalto, and Fox (2002) found that the likelihood of using a planner for advice declined with age. However, they also found that the likelihood of using a planner for advice was positively related to income, net worth, financial assets, and education. Finke, Huston, and Winchester (2011) found that wealth was the strongest predictor for consumers deciding to pay for advice, with income serving as a less consistent predictor than wealth. However, they further noted that although individual income and net worth tend to increase with age, consumers may also encounter more complex situations that impact their ability to pay for financial services.

Many consumers delegate their asset management to FSPs. In such cases, many FSPs charge a percentage fee based on the amount of assets under management (AUM). Generally, as the assets grow, the percentage fee lowers; that is, the amount of the fee increases at a decreasing rate. Thus, older consumers working with FSPs will pay a lower percentage of fees on a higher amount of assets under management.

Research Questions

Agency theory was tested to determine if consumers were willing to incur higher agency costs by seeking credentialed FSPs, thus lowering monitoring costs. Signal theory was tested to determine the impact FSP designations had on consumer decisions to employ and pay the FSP. Additionally, life cycle theory was tested to investigate the impact of age, income, and investable assets on how much consumers pay their FSPs. To address gaps in the literature on consumer perceptions of value when working with credentialed advisers, this study developed the following research question and hypotheses:

Do consumers value financial services differently when they receive them from financial professionals holding certifications/designations versus those who are not certified?

H1: Consumers who place more value on certifications/designations pay more to their financial service professionals (when controlling for age, income, and investable assets).

H2: Consumers who place more value on certifications/designations find more value (per dollar spent) in the services they receive from their financial service professionals (when controlling for age, income, and investable assets).

Methodology

Data. Data were obtained from Advisor Impact's 2014 "Economics of Loyalty Research" survey. The survey was the fourth of its kind, with prior surveys conducted in 2008, 2010, and 2012. The 2014 survey was administered by Nielsen to a nationally representative sample. Survey participants met certain criteria for their responses to be included. For example, all respondents had to work with a FSP and fit the profile of consumers who would typically work with a FSP. Respondents also had to be the primary or shared decision maker of the household regarding investments. Additionally, respondents were required to meet specific age requirements and have minimum investable assets of $50,000. Total respondents for the 2014 survey were N = 1,229.

Sample. Analyses focused on responses to the 2014 survey. Table 1 includes sample descriptive statistics for the dependent and independent variables used to test the hypotheses. For the first hypothesis, the amount that a consumer paid to his or her FSP was the dependent variable. Respondents indicating that they did not know how much they served as the sample (N = 728). Valid responses were then recoded to indicate mean values of ranges according to the amount paid to the FSP.

Table 1: Sample Descriptive Statistics (N = 1,229)

Variable	Percentage	Average	Std. Dev
Average Dollars Paid	---	$5,195	$11,914
Value Received Relative to Fees Paid to FSP (1= very low; 5= very high)		3.9	0.873
Importance of Designations/Certifications (1= not at all; 5= critical)	---	3.6	0.960
Income Interval <$50k	12.50%	---	---
Income Interval $50k–$99k	40.80%	---	---
Income Interval $100k–$199k	33.70%	---	---
Income Interval $200k–$299k	7.40%	---	---
Income Interval $300k–$399k	2.10%	---	---
Age	---	58.4	14.3
Young (18–39)	13.40%	---	---
Middle-Aged (40–64)	52.20%	---	---
Old (65-plus)	34.40%	---	---
Investable Assets $50–$99k	11.10%	---	---
Investable Assets $100k–$499k	30.80%	---	---
Investable Assets $500k–$999k	29.00%	---	---
Investable Assets $1M–$4.99M	20.90%	---	---
Investable Assets >$5M	8.10%	---	---

For the second hypothesis, the perceived value of the consumer relative to the fee paid to the FSP was the dependent variable. Respondents indicated whether they received very low, low, neutral, high, or very high value from their FSPs with the sample (N = 1,212).

Independent variables. To address hypothesis one, the following independent variables were tested against the amount a consumer reported paying his or her FSP. For hypothesis two, the same independent variables were tested against the consumer's perceived value relative to the fee paid to the FSP:

Designations. Respondents were asked how important it was that their FSP held a voluntary designation/certification in addition to required licenses and registrations. Responses were placed into five categories: "not at all important" (N = 48), "not very important" (N = 77), "neutral" (N = 346), "somewhat important" (N = 555), and "critical" (N = 203).

Age. Respondents ages 18 to 39 were recoded and labeled as "young" (N = 165). Respondents ages 40 to 64 were recoded and labeled as "middle aged" (N = 641), and respondents ages 65 and older were recoded and labeled as "old" (N = 423). "Young" respondents were used as the reference group.

Income. Respondents were asked to indicate their annual income, ranging from less than $50,000 to greater than $400,000. Income was further divided into six categories.

Investable assets. Survey respondents were required to have at least $50,000 of investable assets. Respondents with less than $50,000 of investable assets were removed from the sample. Investable assets were then divided into five categories.

Independent variables in the second hypothesis were tested to see if they impacted the perceived value of the consumer relative to the fee paid to the FSP.

Linear regression models. To test the robustness of the analyses, two linear regressions were performed that modeled how much a consumer paid his or her FSP and how much value the consumer perceived receiving from working with the FSP relative to fees paid.

The first regression modeled how much consumers paid their FSPs across the sample of respondents who identified how much they had paid (N = 728). The second regression modeled consumer perceptions of value across the entire sample (N = 1,229).

Results for H1

A linear regression was performed to test the first hypothesis: to determine whether value placed on FSP designations as well as consumer age, income, and investable assets could be used to predict the amount a consumer paid to his or her FSP. The results of the regression indicated that the predictors explained 29 percent of the variance (adjusted R^2 = 0.29, F [12,715] = 25.27, p = 0.000).

That a FSP held a financial designation was statistically significant ($p \leq 0.01$) for the

$200,000 to $299,999 ($p \leq 0.001$); $300,000 to $399,999 ($p \leq 0.001$); and greater than $400,000 ($p \leq 0.001$).

As consumer income increased, so did levels of payment to the FSP. The analysis also found a curvilinear relationship in the pay to FSPs as consumers aged. Consumer pay to FSPs was highest in the young (ages 18 to 39), fell for the middle-aged (ages 40 to 64 ($p \leq 0.001$)), and then increased slightly for the old (ages 65 and older ($p \leq 0.001$)).

Additionally, the analysis revealed significance for consumer investable assets when assets were $500,000 to $999,999 ($p \leq 0.001$); $1 million to $4.99 million ($p \leq 0.001$); and greater than $5 million ($p \leq 0.001$). As investable assets of the consumer increased, so did the level of payment to the FSP. Results of the regression for the first hypothesis are found in Table 2.

Table 2: Summary of Linear Regression Analyses for Variables Predicting Consumer Pay to FSP (*N* = 728)

Variable	Average Dollars Paid		
	B	*SE B*	*β*
Importance of Designations/Certifications	778*	382	0.065
Income Interval <$50k (ref. grp.)	---	---	---
Income Interval $50k–$99k	382	453	0.016
Income Interval $100k–$199k	1,944**	691	0.078
Income Interval $200k–$299k	5,447**	1,810	0.124
Income Interval $300k–$399k	11,484***	2,804	0.154
Income Interval $400k or more	17,467***	4,942	0.310
Young (18–39) (ref. group.)	---	---	---
Middle-Aged (40–64)	–5,270***	1,582	–0.221
Old (65-plus)	–4,248**	1,755	–0.162
Investable Assets $50–$99k (ref. grp.)	---	---	---
Investable Assets $100k–$499k	581*	564	0.035
Investable Assets $500k–$999k	838***	834	0.113
Investable Assets $1M–$4.99M	1,229***	1,187	0.222
Investable Assets >$5M	2,378***	2,377	0.212

Notes: *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$
Adjusted $R^2 = 0.29$
Due to heteroscedasticity, GLM was used to arrive at robust standard errors.

Results for H2

A linear regression was performed to test the second hypothesis: to determine whether value placed on FSP designations as well as consumer age, income, and investable assets could be used to predict the perceived value of the FSP to the consumer. The results of the regression indicated that the predictors explained 1.5 percent of the variance (adjusted $R^2 = 0.015$, $F [11,1200] = 2.73$, $p = 0.002$).

That the FSP held a financial designation was statistically significant for perceived value ($p \leq 0.001$) as well as when consumer income was $300,000 to $399,999 ($p \leq 0.05$) and greater than $400,000 ($p \leq 0.05$), while controlling for the other independent variables. Results for other consumer income, age, and investable asset ranges were not statistically significant. Results of the regression for the second hypothesis are found in Table 3.

Table 3: Summary of Linear Regression Analyses for Variables Predicting Consumer Perception of Value Received Relative to Fees Paid to Financial Service Professional (*N* = 1,229)

Variable	Value		
	B	*SE B*	*β*
Importance of Designations/Certifications	0.083***	0.026	0.091
Income Interval <$50k (ref. grp.)	---	---	---
Income Interval $50k–$99k	–0.007	0.082	–0.004
Income Interval $100k–$199k	0.020	0.087	0.011
Income Interval $200k–$299k	–0.115	0.123	–0.035
Income Interval $300k–$399k	0.388**	0.196	0.063
Income Interval ≥$400k	0.286**	0.168	0.061
Age	0.001	0.002	0.025
Investable Assets $50k–$99k (ref. grp.)	---	---	---
Investable Assets $100k–$499k	–0.059	0.088	–0.031
Investable Assets $500k–$999k	0.064	0.094	0.034
Investable Assets $1M–$4.99M	0.080	0.104	0.037
Investable Assets >$5M	0.074	0.128	0.023

Notes: *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$
Adjusted $R^2 = 0.015$

In both models, the results showed that consumers who placed importance on their FSPs holding a financial designation/certification valued and were willing to pay more for FSPs holding financial designations. The first model indicates that consumers were willing to pay their FSPs for financial designations and—as their incomes and investable assets increased—were willing to pay their FSPs more. However, as consumer age increased, the consumers spent about $5,270 less than the young, while the old spent about $4,248 less than the young. Although there is still a negative direction in pay to the FSP with age, the oldest group showed a slight increase (less than the young group, but slightly more than the middle-age group).

The second model indicates that consumers with annual incomes above $300,000 found more value per dollar spent when working with their FSPs. The fact that significance was not found for any of the investable asset variables may indicate that consumers were more concerned with how to save and keep their wealth as their incomes increased, but were less concerned about the value they received once their investable assets reached a certain level.

Discussion

The results revealed that consumers who placed importance on the FSP holding a financial designation paid more to their FSP. Additionally, those with higher incomes and higher investable assets paid significantly more to their FSPs. This complements the findings of Finke, Huston, and Winchester (2011), who found that wealth was the strongest predictor of the likelihood consumers will pay for advice; once wealth was accounted for, income became a less consistent predictor.

The role of wealth as a predictor of consumer behavior may help explain why the present study found reduced statistical significance in the relationship between income and perceived value received when including control variables for investable assets in the model (i.e. statistically significant results for the two highest income groups only).

Although previous research showed a positive association between age and payment for financial advice (Finke, Huston, and Winchester 2011), the results from this analysis showed that when analyzing a sample from the population of those who were already working with a FSP, it was the youngest group that paid the highest rates. This finding may seem counterintuitive, because evidence shows that older individuals are more likely to purchase financial advice in the first place. However, prior research has also shown that younger individuals who work with FSPs are more likely to be under comprehensive management (Finke, Huston, and Winchester 2011).

Results suggest not only that consumers' willingness to pay more for their FSPs increased with their income and investable assets, but also that consumers at the highest income categories in the survey found more value in their FSPs relative to fees paid. The results are similar to those of Hanna and Lindamood (2010), which showed that consumers with higher investable assets (and thus with more to lose) found expert advice to be more valuable.

The results provide evidence to support the first hypothesis, that consumers who placed more value on certifications/designations paid more to their financial service professionals. Additionally, in nearly every income range (except $50,000 to $99,000) and range of investable assets (except $100,000 to $499,000), consumers were willing to pay more for credentialed FSPs.

Age had a curvilinear relationship with the amounts of fees paid to FSPs. This supported the findings in Elmerick, Montalto, and Fox (2002) that households were more likely to seek financial planning advice when the head of the household was under age 35. Then, as consumers aged into their middle years, the data suggested that they paid less to their FSPs. Finally, as consumers reached age 65 and older, they began to pay slightly more to their FSPs compared to middle-aged consumers.

As consumers begin to work, accumulate income and assets, start families, and plan for retirement and possibly college for children, their need for advice may be higher and they may therefore be more willing to pay more for it. In their middle years, consumers may be implementing the planning and advice they received from FSPs, thus leading to less need for advice and so less spending on FSPs. Once consumers are near or at retirement age, the need for planning may increase due to several planning needs, such as withdrawal

The results also provide some support for the second hypothesis: consumers who placed more value on certifications/designations found more value (per dollar spent) in the services they received from their financial service professionals (when controlling for age, income, and investable assets). That is, consumers who valued designations found the value they received from credentialed FSPs to be relative to the fees they had paid ($p \le 0.001$).

Implications

Many FSPs continuously look to add value for consumers, but value can be difficult to quantify. This study suggests that FSPs can help to quantify perceived value for their clients by acquiring quality designations. Additionally, FSPs may provide value for consumers through educating them about designations/credentials, financial planning processes, and providing transparency, particularly about how FSPs are compensated.

The significance of consumers valuing FSPs holding financial designations is clear. When selecting and interviewing potential FSPs, consumers who place value on the financial designations held by FSPs are willing to pay more and find more value. As consumer income and investable assets increase, consumers seek credentialed FSPs to help them make improved financial decisions. FSPs with financial designations act as agents on behalf of consumers who function as principals. Agents with financial designations give consumers some reassurance that they have additional training and education to provide effective financial services. By incurring bonding costs before the relationship begins, FSPs can increase the likelihood that consumers will choose to work with them.

Consumers may choose to work with credentialed FSPs because they believe they stand to gain financially from using their services. They may have multiple reasons for this belief, but two seem particularly likely. First, consumers who recognize that they are unable to properly monitor FSPs may use the signal of financial designations as an indication of a higher standard of service. Second, consumers might also recognize that FSPs have incurred higher costs to achieve financial designations, and while these costs may be passed on to consumers, they may justify the additional expense by the expectation of superior service.

FSPs can use this information as an indication that becoming credentialed is worthwhile; they can be assured that consumers will positively receive the signal they send when they promote their designations. When consumers hire credentialed FSPs, we may expect that consumer confidence will increase, monitoring costs will be reduced, and consumers' residual losses will decrease. Agency costs will likewise be reduced.

Conclusion

Currently, no laws require FSPs to acquire or hold financial designations or that they be identified professionally through standardized titles (Terry and Vibhakar 2006; Arman and Shackman 2012; Lemoine 2013). However, this study showed that consumers preferred credentialed FSPs and were willing to pay more to FSPs holding designations, especially as consumer income and investable assets increased. Therefore, this study showed the importance of the perception of financial designations from the standpoint of the consumer.

For FSPs contemplating designations, this research showed that consumers who placed importance on designations paid more to their FSPs. FSPs who currently hold financial designations will also find this paper beneficial in understanding that consumers valuing designations typically have higher incomes and investable assets. Credentialed FSPs may consider employing a business model highlighting their expertise as augmented by their designations.

Future Research

The results of the current research, along with the results from Foerster, Linnainmaa, Melzer, and Previtero (2017), Warschauer and Sciglimpaglia (2012), and Hanna and Lindamood (2010) highlight several areas that call for further research. Perceived value of services received, with many potentially contributing factors and variables, is both an important and elusive concept to measure and analyze. As such, additional studies should be undertaken to confirm and expand upon the present findings. Future research should are captive or independent on the dependent variables. Such analyses should further investigate the level of awareness consumers have of their FSP's designations in addition to their level of understanding of the relative rigor and quality of those designations.

Endnotes

1. See the Bureau of Labor Statistics 2016 data for personal financial advisers and search for "broker" and "insurance agent" at www.bls.gov/ooh/business-and-financial/personal-financial-advisors.htm#tab-1.
2. This figure is current as of March 31, 2018. See www.cfp.net/news-events/research-facts-figures/cfp-professional-demographics for the latest stats.
3. This figure is current as of May 11, 2018. Data is not publically available; it was supplied here by a representative for The American College.

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