

Financial Counselors: The Need Has Never Been Greater

Jerry Mason¹

Never has there been a greater need for financial counselors. The number of individuals and couples filing for personal bankruptcy is approaching a rate of one million per year. Millions more stagger under heavy debt loads, run out of money before pay day, or find themselves unable to save. Yet financial counselors are scarce. Currently most can be found working for the military, credit unions, employee assistance programs, and the Consumer Credit Counseling Service. A few are private practitioners.

Financial counselors don't sell products, offer income tax, investment or legal advice. They do help clients whose home is about to be foreclosed, their car repossessed or their utilities disconnected. While most clients may not face such dire crises, many are buried under a pile of debt. Other clients, who can meet their debt payments, have a difficult time making ends meet between paydays. Some clients are primarily motivated to seek out a counselor because they spend all they earn and are unable to save or invest. A growing number of people who need help with their money management problems are seeking the services of a financial counselor.

Recognizing the need for professional financial counselors to network, in 1983 a group of professionals came together

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and laid the ground work for The Association for Financial Counseling and Planning Education (AFCPE).

Recognizing a shortage of competent financial counselors, the AFCPE membership, at their national convention in 1989, decided to develop a program to certify financial counselors. During their national convention in the fall of 1992, the Accredited Financial Counselor Program (AFC) was launched.

The Accredited Financial Counselor Program has several objectives; two are primary. One, improve the skills and abilities of existing financial counselors. Two, greatly expand the number of financial counselors. Other than "on the job training," there are few places in the United States where someone can prepare to become a financial counselor. Only a few colleges such as University of Missouri, Iowa State, Purdue and Texas Tech University provide course work in financial counseling. Because of limited education and training opportunities the AFC program was developed.

Interest in the new AFC program has raised some important questions.

Q. How does an Accredited Financial Counselor differ from a Certified Financial Planner?

A. Financial planners market to clients who have cash to invest, assets to reposition, or who need to buy life insurance. Planners help clients develop and implement retirement, estate and income tax reduction strategies. Planners prefer individuals who are earning more than \$100,000 annually and whose net worth is in excess of a half million dollars.

Accredited Financial Counselors work with three types of clients:

1. Those facing a financial crisis. Tomorrow their home will be foreclosed, their car repossessed, or their utilities turned off. Creditors' phone calls and visits upset them because they are past due on so many loans.
2. Those who are able to meet their debt obligations each month, but just barely. They often spend all their money before the end of the month. They have real problems stretching their money from payday to payday.
3. Those who find themselves on a financial treadmill. They don't run out of money, but they are not able to save or put money away for retirement and other important short and longer term goals.

While most financial counseling clients earn less than \$100,000 annually, a growing number of professionals with six figure incomes are seeking help from financial counselors.

Unlike the planner who wants to develop a long term relationship with the client, the AFC wants to help clients learn to better manage their finances so that they no longer need the AFC. Financial planners give advice and make decisions for their clients. An Accredited Financial Counselor recognizes that his or her client's money problems are usually the result of one or more behavior problems. A counselor can only help a client improve his or her financial situation when the client takes responsibility for important decisions.

- Q. Should a financial planner earn the AFC designation?
- A. Anyone entering the financial planning profession would find it beneficial to earn the AFC designation because of course content. The first course covers personal finances and is broader in scope than the subject matter covered by other designations. The second course focuses on the financial counseling process. Increasingly, planners help clients develop budgets or plans to reduce debt loads. Planners need training in helping client work through their financial problems. The second course prepares planners to become more effective counselors.
- Q. Where would a consumer find an Accredited Financial Counselor?
- A. The program is so new that the first graduation is scheduled for November 1993. But financial counselors are currently employed by the military, credit unions, state extension services, Consumer Credit Counseling agencies, and employee assistance programs. In a short time clergy, creditors, marriage and family therapists, and most financial service firms can be expected to employ Accredited Financial Counselors.
- Q. What would a consumer expect to pay for the services of an Accredited Financial Counselor?
- A. That depends on the agency or firm offering financial counseling and the types of services the consumer desires. Firms that offer "crises" or credit/debt counseling, usually don't charge or their fees are less than \$25.00 a month. A client who needs help developing a money management program might be

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charged an hourly fee based on ability to pay that could range from \$10 to \$100 per hour.

- Q. Who is a likely candidate to become an Accredited Financial Counselor?
- A. Financial planners, financial counselors employed at military bases, credit unions, banks, finance companies, hospitals, Consumer Credit Counseling Services, extension agents, educators, private practitioners, marriage and family therapists.
- Q. What must a person do to become an Accredited Financial Counselor?
- A. Candidates must meet experience, education, and character requirements plus subscribe to a Code of Ethics. Each AFC must earn a minimum of ten hours of approved continuing education credits each year. To become an Accredited Financial Counselor, an individual must have two years experience in financial counseling or a related field, live by a Code of Ethics, submit three letters of recommendation and satisfy an education requirement.
- Q. At present courses are offered home study. Will I ever be able to earn college credit when completing AFC courses?
- A. In 1993-94 academic year, as a pilot study, the South Plains Community College is offering the two AFC courses. By 1996, we hope that the AFC courses will be available on 100 community college campuses and university continuing education programs. Anyone who wants to offer the AFC courses should contact the AFC office at Texas Tech University.

Q. What other changes are planned for the AFC program?

A. A third course will be added in 1996 and a fourth in 1998. One course will focus exclusively on financial counseling processes and procedures; the other will be applications oriented, requiring AFC candidates to resolve problems encountered in case studies.

Q. What can an AFCPE member do to contribute to the success of the AFC program?

A. One or all of the following would be helpful:

1. When you attend a professional meeting (especially regional or national), ask to be on the program so you can explain the AFC program. Set up a table and distribute AFC brochures.
2. If you know of a mailing list of people, many of whom would be interested in the AFC program, contact the AFC office at Texas Tech.
3. If you have an idea for publicizing the AFC program, or know a media person, contact the AFC office at Texas Tech.
4. Enroll in the AFC program, and encourage your friends to register.
5. Adopt the AFC text, FINANCIAL COUNSELING, the next time you teach a financial counseling course.