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Commentary

Financial advisor titles: Informational complexity and the role of regulatory simplification

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Abstract

Today's complex financial markets require high levels of financial literacy that most consumers do not possess. Consumers may choose to mitigate their information disadvantage by hiring a financial professional. In searching for such a professional, however, consumers will find a multitude of financial advising titles that may or may not signal competence, education, and professionalism. Various regulatory bodies, and piecemeal regulation over the past 80 years, have resulted in an incoherent code of law. Two narrow protections for senior citizens specifically address financial credentials, however. These model regulations were drafted by the National Association of Insurance Commissioners (NAIC) and the North American Securities Administrators Association (NASAA) in 2008. This commentary explores why some states have adopted these regulations while others have not and notes the need for research to systematically evaluate the effectiveness of such regulations.

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