Financial Planning Internships

A Student Faculty Perspective

As a financial planning practitioner you have probably heard of colleagues who have offered an internship to a college student. You might have even considered sponsoring an intern, or you might be an active proponent of the internship process by providing these opportunities already. You might also fall into the category of having never considered hosting an intern. Regardless of your experience with the internship process, you might have questions about the purpose and expectations associated with college internships.

The intent of this brief review is to provide insights from a student and faculty perspective about internships.

The best place to start the discussion is by acknowledging that each university and college has its own internships rules, regulations, and requirements. Some institutions require their financial planning, marketing, and business majors to complete at least one internship prior to graduation. Other universities and colleges merely recommend to students that an internship is of value, but the experience is not required.

The difference in approach is generally based on staff resources and unique features of the student body. For example, university financial planning programs with more than four or five faculty members are rare. Running an effective internship program takes faculty time and energy. Small programs simply cannot dedicate the resources necessary to ensure a quality experience, and as such, these programs tend to make an internship an optional experience.

This does not mean, however, that as a potential internship sponsor you should only focus recruiting efforts on academic programs that require an internship. In fact, the opposite may be true. Consider your circumstances and your firm. Would you rather have an intern that has volunteered for the opportunity (i.e., they very much want to experience an internship) or one that may not be quite as motivated but is required to participate?

Ideally, the best candidate shares both qualities — interest and motivation — but if a choice is to be made, the student with the highest motivation will likely be the best fit for your firm. Now, it is certainly possible that a student who is required to participate in an internship will actually be quite motivated; therefore, it is always a good idea to require an interview as the starting point in the recruitment process.

A high quality intern can offer several advantages to your firm. Students are full of youth and enthusiasm. If you are willing to listen, they are likely to provide fresh perspectives and observations that can propel your firm's growth. Also important to remember is that students have been exposed to technology and information search techniques which may benefit your associates. Some students may even bring a practical working experience with them if their school has a peer financial counseling and planning center and the student served as a peer counselor.

So, how does one go about finding a motivated intern? In most cases, the first and best procedure is to locate what is typically called the Program Coordinator for the financial planning degree program. Conducting a search of the IARFC or CFP® Board website (http://www.cfp.net/become/programs.asp) for educational programs is the best way to locate these individuals.

Second, you should have a relatively clear idea of the type of person you are looking for. For instance, will the intern be assisting with marketing assignments or preparing financial plans? It is essential that a good fit be made between your firm's needs and the student's aspirations.

Third, it is essential to start the search process early. How early? If the goal is to have a summer intern, starting the search in November of the previous year is a good idea. The reason to start early is to obtain access to the best and brightest students. Think of it is this way: a smart, talented, and professional student is always in demand. These types of students are offered internships and jobs early in the recruiting process. This is the kind of intern that you want as well, so start the search process early.

Finally, a word about expectations. The reasons firms offer internships is relatively straightforward:

(a) to help build the profession by exposing students to real world activities

(b) to get a look at potential hires with minimal cost outlays, and

(c) to obtain needed help for short-term projects.

Seldom, however, do firms ask about student expectations — and they should! While an internship can be a rewarding experience — an event worth the price of tuition — it is important to note that for the majority of students an internship experience is often viewed as an opportunity cost. In order to accept an internship opportunity, the student generally needs to sub-rent their apartment, terminate employment, and move away from family, friends, and loved ones. For someone 40+ years old, this might seem like an ideal situation, but for 20-somethings, this is a hard choice to make.

There are factors that make the choice easier though. For example, in order to be competitive, it is important for firms to consider their internship compensation package. Will housing be provided or at least facilitated? Will the student earn enough money to cover expenses? Will a legitimate opportunity to apply for employment exist if the internship experience goes well? These are minimal student expectations. Having an answer to these and similar questions will help you and your firm locate and recruit the best and brightest interns.

If you have a question about the internship process that was not covered in this review, please send us a note and we will be happy to give you our insights and opinions. In the final analysis, it is always a good idea to think about the opportunity that you can provide from the student's perspective. If the fit and experience is right, you will find that providing an internship can change your practice for the better.

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COMPLIANCE-FRIENDLY MARKETING

2009 Arbitrations are Up, Way Up

by Katherine Vessenes, JD, CFP®, RFC®

No surprise. When the market is down, lawsuits and arbitrations against securities brokers, goes up. Way up, in a really bad market like we had last year.

According Linda Fienberg, FINRA dispute resolution president, in a speech to the DC bar, the market turmoil of the last two years has led to an increase in the number of arbitrations. The kind of claims that are submitted has also changed, she said.

A whopping 7,134 arbitration files were submitted in 2009 — a definite increase from the 4,982 arbitration cases filed on 2008 and the 3,238 arbitration cases submitted in 2007.

One of the things I learned as legal counsel to the IDS Mutual Fund Board of Directors is the number of cases filed goes up when stock prices go down. For example, when the dotcom bubble burst, nearly 9,000 arbitration claims were submitted in 2003.

According to Fienberg, part of the increase is due to more claims related to auction rate securities. The last two years also saw an increase in this type of claim over mutual funds, making auction rate securities the most common security cited in arbitration cases.

According to FINRA statistics, more claimants are prevailing — 48% in 2009 — compared to 42% in 2008. This is about the same statistics that I used to quote in my speeches: investors win about 50% of the time, and usually about 50% of what they claim.

Cases are also being resolved in a shorter period of time — within 14 months last year compared to more than 15.5 months during each of the two years prior.

What you can do now to avoid being hit with an arbitration:

- Develop a relationship with your clients. Friends are less likely to sue you, because they believe you have their best interests at heart.
- Make sure your clients understand the pros and the cons of everything you recommend.
- Take good file notes. We try to send clients notes after every major meeting.

Katherine Vessenes, JD, CFP®, RFC®

Katherine Vessenes, JD, CFP®, RFC®, the creator of the No-Sell Sale™, uses her 20+ years of experience as a top financial advisor and consultant to help her clients achieve an easy, almost effortless sale. Katherine is considered "The country's leading authority on building the multimillion dollar practice" (Kaplan) and "America's best known authority on the legal, ethical and compliance issues of financial advisors" (Dearborn).

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