

Developing Personal Financial Planning as an Academic Discipline

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As an academic discipline, personal financial planning is relatively young. Compared to other traditional academic disciplines such as economics, finance, and business, personal financial planning is still seen as a fledgling, yet promising discipline. Unlike traditional business school programs such as finance or economics which may offer some elements of personal financial planning, personal financial planning as an academic discipline continues to emerge as a discipline on its own.

Financial planning origins began with a meeting of financial services executives in Chicago in 1969 [1]. Those origins see personal financial planning as the combination of two traditions: consumer economics, and finance and financial services [1]. Since 1973 financial planning has been augmented by the offering of the CFP designation [2]. Consisting mainly of adult education courses, the profession grew to eventually involve into the College for Financial Planning with the CFP Board spinning off as a separate entity from the College for Financial Planning in 1985 [2]. This was the beginning of the “professional era” [3].

The CFP Board defines financial planning as “the process of determining whether and how an individual can meet life goals through the proper management of financial resources” (CFP.net). Warschauer [3] provides a more complete definition including a client’s personality, socio-economic and legal environments, and leading to the adoption of strategies using financial tools to aid the client achieving goals. Altfest [4] defines personal financial planning as a method of preparing future financial needs in an efficient manner.

This process is further integrated into six steps of the financial planning process: Establishing and defining the client-planner relationship, gathering client data including goals, analyzing and evaluating the client’s current financial status, developing and presenting recommendations and/or alternatives, implementing the recommendations and monitoring the recommendations (CFP.net).

The Board further goes on to define what areas generally constitute financial planning subjects. These areas include financial statement preparation and analysis, insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning (CFP.net). From a practitioner standpoint, these definitions give practicing professional guidance on what constitutes financial planning and the basics of what a financial planner should cover.

However, the process and subject areas highlighted above do not indicate an academic definition of personal financial planning. That is, they provide no sound definition of financial planning based on the process, theory, and the scientific methods used to advance personal financial planning as an academic discipline. Whereas the CFP Board sets the standards above to protect the public [3] the question can be asked as to what standards are set to protect and enhance the profession. How do we define personal financial planning as academics? How can academia take personal financial planning and advance theory for the benefit of the practitioner who ultimately benefits the client?

Is it academia’s role to protect the personal financial planning profession? I believe it is. I propose an academic definition of personal financial planning is therefore a field of study that uses the scientific method to build and advance a theoretical framework in the field of

personal financial planning subject areas to assist practitioners in the implementation and improvement of consumers’ financial well-being.

Thus, the academic definition of personal financial planning requires academia to build on the existing knowledge and literature as well as build upon and improve current professional and practitioner norms. It requires testing and retesting of assumed “rules of thumb” and best practices to ensure that these strategies are still relevant as the profession and clientele evolve.

Personal financial planning, while similar in some aspects, is a unique academic discipline different from other similar disciplines. The personal financial planning discipline incorporates other academic disciplines such as finance (which may include investments, risk management, wealth management, and banking), economics (which may include microeconomics, macroeconomics, and behavioral economics), taxation (which may include personal and business taxation), and law (which may include estate law, and consumer protection laws).

While these disciplines have helped to mold the personal financial planning profession, personal financial planning distinguishes itself from these other disciplines in that it incorporates these subject matters and integrates them into application for the benefit of the consumer. Often, this integration is then transmitted to students of the personal financial planning discipline in order for them to in turn teach the principles learned in class to the consumer.

Universities play a big role in the development of personal financial planning as a profession through research, dissemination of research for practitioners, and providing planner to give advice to clients [3]. Additionally, many universities have personal financial planning coursework that already exists [5] Furthermore, many of these institutions have degree requirements to successfully complete a program. The elements of personal financial planning curricula can be easily implemented within these programs with little to no disruption of the existing framework.

Given current academic coursework, integrating personal financial planning should not require any major reworking of a college or university’s business or finance program. However, more must be done to build on the theories and scientific body of knowledge in order for other academic disciplines (and the general public) to allow the integration of the personal financial planning discipline into traditional academic curricula.

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Received May 09, 2017; Accepted May 16, 2017; Published May 23, 2017

Citation: Raskie S (2017) Developing Personal Financial Planning as an Academic Discipline. J Account Mark 6: 238. doi: [10.4172/2168-9601.1000238](https://doi.org/10.4172/2168-9601.1000238)

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Personal financial planning needs to go beyond introductory courses and CFP® exam preparation [4]. In addition, time will also play a key role as more universities start and continue to offer degrees in personal financial planning; particularly terminal degrees to further advance the body of research. Generally, an individual pursuing a terminal degree such as a PhD expresses interest in advancing the body of knowledge currently established by the academic discipline. These institutions will continue to educate and produce academics and practitioners with the knowledge and the theoretical background to continue to add to the personal financial planning existing body of knowledge. Furthermore, graduates from these institutions will have the tools and theoretical foundation to expand personal financial planning to other institutions, companies and the public.

Just as important, the more academics that graduate from these programs the more will be added to the existing body of knowledge in personal financial planning. In addition, as more institutions hire these graduates, there will be an opportunity for collaboration among other academic disciplines, especially in finance and economics. More collaboration can lead to advancement in theories which can help develop personal financial planning as an academic discipline.

At the undergraduate level, more universities need to adopt personal financial planning programs or at least require an introductory personal financial planning course. Additionally, more schools need to agree upon a general title and degree definition such as personal financial planning rather than consumer economics, or household economics which may confuse students or give the wrong impression of the field of study. Colleges and universities may consider developing

or transferring their personal financial planning programs to their respective business departments to highlight the importance of the discipline to business students.

The discipline of personal financial planning continues to grow current and future academics have the opportunity advance the discipline in higher education. To do this, the discipline must have a solid theoretical base and continue to build upon that base. Graduates in personal financial planning programs can implement academic programs at other institutions to further enhance the discipline. Additionally, as more graduates arise in the discipline they will have the opportunity to create and build upon personal financial planning curricula and collaborate with other academics. This will allow the discipline of personal financial planning to help individuals with basic financial literacy and will help develop the discipline of personal financial planning in higher education.

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Citation: Raskie S (2017) Developing Personal Financial Planning as an Academic Discipline. J Account Mark 6: 238. doi: [10.4172/2168-9601.1000238](https://doi.org/10.4172/2168-9601.1000238)

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