



STATEMENT

FOR IMMEDIATE RELEASE

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NAPFA Statement on Updated Membership Standards on Financial Advisors with Trailing Commission Compensation

CHICAGO, IL (July 3, 2023) – Today, the National Association of Personal Financial Advisors (NAPFA) issued the following statement to provide more details on its recent updates to its membership standards on financial advisors with trailing commission compensation:

About the policy change

This spring, NAPFA updated its membership standards to allow financial advisors with a negligible amount of trailing commission compensation a pathway to becoming a NAPFA member.

For an applicant with a de minimis amount of trailing commission compensation to qualify for NAPFA membership, they must:

- Not receive any other Sales-Related compensation;
- Receive no more than \$2,500 annually in trailing commission compensation;
- Relinquish said trailing commission through a three-tiered process
 - Request a transfer or assignment of the financial assets paying trailing commission to a person or entity that is not a related party;
 - If the assets are unable to be transferred, the applicant must contact the entities paying the trailing commission and request that these entities discontinue paying any trailing commission;
 - If neither of those options is successful, the applicant may donate any remaining trailing commission to a 501 c(3) charity.
 - Those donating their trailing commissions must submit documentation showing that the total amount of trails received was donated to charity

and attest yearly that they continue to donate any trails compensation to charity to be eligible for NAPFA membership.

Why NAPFA adopted this policy change

NAPFA adjusted its membership requirements to align more closely with CFP Board's updated standards for two primary reasons – our profession and our consumers.

NAPFA's updated standards foster more inclusion for advisors currently practicing comprehensive, Fee-Only financial planning who have been unable to drop their de minimis trailing commissions compensation. NAPFA did not want to punish advisors committed to Fee-Only advising who began their careers in commission-based model firms yet have been unable to transfer their lingering commissions due to frustrating clerical challenges. This policy change allows NAPFA to support more eligible Fee-Only financial advisors and their clients, who value the transparency and objectivity that come with a Fee-Only compensation structure.

One of NAPFA's founding core beliefs is that financial planning services should be delivered to the public with fiduciary accountability and transparency, serving the client's best interest first and always. This policy change allows NAPFA to continue the advancement of Fee-Only financial planning by aligning with other like-minded financial planning organizations to follow a consistent definition of Fee-Only financial planning. A common definition within the profession promotes greater consumer understanding and transparency of Fee-Only advising and allows NAPFA members to continue to deliver the highest professional and ethical standards to clients.

NAPFA is committed to enforcing this new process and stands by NAPFA's rigorous professional, ethical and fiduciary standards for Fee-Only advising, including the CFP certification and the [Fiduciary Oath](#) committing advisors to put the client's interest ahead of their own.

Additional resources

FAQs concerning this policy change can be found [here](#).

If you have any additional questions about the updated standards, please reach out to mediaoutreach@napfa.org or visit <https://www.napfa.org/membership/our-standards>.

About NAPFA

Since 1983, the National Association of Personal Financial Advisors has provided Fee-Only financial advisors across the country with some of the highest standards possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 4,500 members across the country, NAPFA is the leading professional association in the United States dedicated to the advancement of Fee-Only financial planning. Learn more at www.napfa.org.