

CFP BOARD

FINANCIAL PLANNING ENGAGEMENTS COMPLIANCE GUIDE

**REFERENCE GUIDE TO COMPLYING WITH THE
CODE AND STANDARDS WHEN PROVIDING A
CLIENT FINANCIAL PLANNING**

CFP Board designed this guide to help CFP® professionals evaluate whether they are providing information and services in accordance with CFP Board's *Code of Ethics and Standards of Conduct* ("Code and Standards") when they are providing Financial Planning. Under certain circumstances, a CFP® professional is required to update the information provided to a Client.

SECTION A: THE FIDUCIARY DUTY

At all times when providing Financial Planning to a Client, a CFP® professional must act as a fiduciary and, therefore, act in the best interests of the Client. (Standard A.1.)

Duty of Loyalty:

- Have I placed the interests of the Client above the interests of me and my firm?
- Have I avoided Conflicts of Interest, or fully disclosed Material Conflicts of Interest to the Client, obtained the Client's informed consent, and properly managed the conflict
- Have I acted without regard to the interests of me and my firm, and any individual or entity other than the Client?

Duty of Care:

- Have I acted with the care, skill, prudence, and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances?

Duty to Follow Client Instructions:

- Have I complied with all objectives, policies, restrictions, and other terms of the Engagement, and all reasonable and lawful directions of the Client?

SECTION B: PROVIDING INFORMATION TO A CLIENT

Have I provided the following information in one or more written documents:

Services, Products, Compensation, Disciplinary History, Bankruptcy, and Other Material Information
(Standard A.10.a.i. – v.)

- Have I provided the Client a description of the services and products to be provided?
- Have I explained how the Client pays for the products and services and described the additional types of costs that the Client may incur, including product management fees, surrender charges, and sales loads?

- Have I informed the Client how I, my firm, and any Related Party are compensated for providing the products and services?
- Do I have any public disciplinary history or personal bankruptcy or business bankruptcy where I was a Control Person? If so, have I notified the Client of the existence of the public discipline or bankruptcy and provided the Client with the location(s), if any, of the webpages of all relevant public websites of any governmental authority, self-regulatory organization, or professional organization that sets forth my public disciplinary history or personal or business bankruptcy?

Conflicts of Interest

(Standards A.5.a., A.10.a.v., and A.13.a.)

- Have I provided full disclosure of all Material Conflicts of Interest with the Client that could affect the professional relationship? Have I provided sufficiently specific facts so that the Client is able to understand the Material Conflicts of Interest and the business practices that give rise to the conflict? (Please note that information about Material Conflicts of Interest is not required to be provided in writing.)
- Have I obtained the Client's informed consent, either express or implied, to such Conflicts of Interest?
- Have I properly managed any Conflict of Interest by providing Financial Advice that is in the best interests of the Client and places the Client's interests above my own, notwithstanding the conflict, by adopting and following business practices reasonably designed to prevent Material Conflicts of Interest from compromising my ability to act in my Client's best interests?
- Have I disclosed any arrangement by which someone who is not the Client will compensate or provide some other material economic benefit to me, my firm, or a Related Party for engaging or recommending the selection or retention of additional persons to provide financial or Professional Services to the Client?

Confidentiality and Privacy

(Standard A.9.d.)

- Have I or has my firm adopted and implemented policies regarding the protection, handling, and sharing of the client's non-public personal information?
- Have I or has my firm provided the Client with written notice of the policies regarding the protection, handling, and sharing of the client's non-public personal information?

Terms of the Engagement

(Standard A.10.b.ii.)

- Have I provided to the Client, in writing, the terms of the Engagement between me or my Firm and the Client, including the Scope of Engagement and any limitations, the period(s) during which the services will be provided, and the Client's responsibilities?
- Have I determined with the Client whether I will be responsible for implementing, monitoring, and updating the Financial Planning recommendation(s)? (Note that a CFP® professional is responsible for implementing, monitoring, and updating the Financial Planning recommendation(s) unless specifically excluded from the Scope of Engagement.)

Other Requirements

(Standards A.10.a. and A.10.a.viii., and C.)

- Have I provided the Client all other information Material to the decision to engage or continue to engage me or my firm?
- Have I acted prudently in documenting information, as the facts and circumstances require, taking into account the significance of the information, the need to preserve the information in writing, the obligation to act in the Client's best interests, and my firm's policies and procedures?
- Have I documented that I have provided the Client with all of the information set forth above?

SECTION C: THE FINANCIAL PLANNING PROCESS**Step 1: Understanding the Client's Personal and Financial Circumstances**

- Have I described to the Client the qualitative and quantitative information concerning the Client's personal and financial circumstances needed to fulfill the Scope of Engagement and collaborated with the Client to obtain the information?

Examples of qualitative or subjective information include the Client's:

- Health Life expectancy
- Family circumstances
- Values
- Attitudes
- Expectations
- Earnings potential
- Risk tolerance
- Goals, needs, and priorities
- Current course of action

Examples of quantitative or objective information include the Client's:

- Age
- Dependents
- Other professional advisors
- Income
- Expenses
- Cash flow
- Savings
- Assets
- Liabilities
- Available resources
- Liquidity
- Taxes
- Employee benefit
- Government benefit
- Insurance coverage
- Estate plans

Education and retirement accounts and benefit

Capacity for risk

Have I analyzed the qualitative and quantitative information to assess the Client's personal circumstances?

Have I addressed incomplete information, if any?

Step 2: Identifying and Selecting Goals

Have I discussed with the Client my assessment of the Client's financial and personal circumstances?

Have I helped the Client to identify goals and noted the effect that selecting a particular goal may have on other goals?

Have I discussed with the Client, and applied, reasonable assumptions and estimates?

Examples include:

Life expectancy

Inflation rates

Tax rates

Investment returns

Have I helped the Client to select and prioritize goals?

Have I discussed with the Client any goals that may not be realistic?

Step 3: Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action

Have I analyzed the Client's current course of action, including the Material advantages and disadvantages of the current course and whether the current course maximizes the potential for meeting goals?

Have I analyzed potential alternative courses of action, including the material advantages and disadvantages of each alternative, whether each alternative helps maximize the potential for meeting the Client's goals, and how each alternative integrates the relevant elements of the Client's personal and financial circumstances?

Step 4: Developing the Financial Planning Recommendation(s)

Have I selected recommendations designed to maximize the potential for meeting the Client's goals?

Have I considered whether to recommend that the Client continue the current course of action?

For each recommendation, have I considered:

The assumptions and estimates used to develop the recommendation(s); The basis for making the recommendation(s), including:

How the recommendation is designed to maximize the potential to meet the Client's goals;

The anticipated material effects of the recommendation on the Client's financial and personal circumstances; and

How the recommendation integrates relevant elements of the Client's personal and financial circumstances;

The timing and priority of the recommendation(s); and

Whether the recommendation is independent or must be implemented with another recommendation?

Step 5: Presenting the Financial Planning Recommendation(s)

Have I presented to the Client the selected recommendation(s) and the information I considered when developing the recommendation(s)?

Step 6: Implementing the Financial Planning Recommendation(s) (Unless Specifically Excluded from Scope of Engagement)

Have I established with the Client whether I have implementation responsibilities and, if required, communicated to the Client the recommendation(s) being implemented and my responsibilities, the Client's responsibilities, and the responsibilities of any third party with respect to implementation?

Have I determined whether I need to amend the terms of the Engagement with the Client to reflect accurately the implementation responsibilities?

If I do not have implementation responsibilities, proceed to Step 7.

If I have implementation responsibilities, have I:

Identified and analyzed actions, products, and services designed to implement the recommendations?

- Considered the basis for each selection, including:
 - How the action, product, or service is designed to implement the recommendation; and
 - The advantages and disadvantages of the action, product, or service relative to reasonably available alternatives?
 - Recommended one or more actions, products, and services for implementation and discussed with the Client the basis for selection, the timing and priority of implementation, and disclosed and managed any Conflicts of Interest concerning the action, product, or service?
 - Helped the Client to select and implement actions, products, or services and discussed with the Client any selection that deviates from my recommendations?

Step 7: Monitoring Progress and Updating (Unless Specifically Excluded from Scope of Engagement)

- Have I established with the client who has monitoring and updating responsibilities?
- Have I determined whether I need to amend the terms of the Engagement with the Client to reflect accurately the monitoring and updating responsibilities?
- When I have responsibilities for monitoring and updating, have I communicated to the Client:
 - Which actions, products, and services are and are not subject to my monitoring responsibility;
 - How and when I will monitor the actions, products, and services;
 - That it is the Client's responsibility to inform me of any Material changes to the Client's qualitative and quantitative information;
 - My responsibility to update the Financial Planning recommendations; and
 - How and when I will update the Financial Planning recommendations?
- If I have monitoring responsibilities, have I monitored the Client's progress toward achieving the Client's goals and reviewed my analysis with the Client?

- If I have monitoring responsibilities, have I collaborated with the Client to obtain current qualitative and quantitative information concerning the Client's personal and financial circumstances?
- If I have updating responsibilities, have I determined whether the circumstances warrant changes to the Client's goals, recommendations, or selections of actions, products, and services, and updated those in accordance with the *Code and Standards*?

OTHER GUIDANCE DOCUMENTS

CFP Board is committed to providing resources that will help CFP® professionals understand and comply with the new *Code and Standards*. Existing resources are available on CFP Board's website (CFP.net/Code).

As a CFP® professional, you play an important role in this process. CFP Board has assembled a team of professionals — the Standards Resource Commission — that will be developing additional guidance materials to educate and inform CFP® professionals about the *Code and Standards*. If there are resources that you believe would be valuable to you, your firm or your clients, please email your suggestions to SRC@CFPBoard.org. The Standards Resource Commission will carefully consider your feedback as it develops future guidance materials. Additional resources will be posted to CFP Board's website at the link above as they become available.

CFP Board developed the new *Code and Standards* to be an enforceable set of requirements that CFP Board can apply to those who hold CFP® certification. It is not designed to be a basis for civil liability. Clients of a CFP® professional and other third parties are not intended to be third-party beneficiaries of a CFP® professional's agreement with CFP Board to adhere to the *Code and Standards*.

The work of CFP Board benefits greatly from the contributions of CFP® professionals and other stakeholders. There are many opportunities to become involved in meaningful and rewarding ways.

Each year, CFP® professionals and other leaders make multi-year commitments to serve on CFP Board's Board of Directors, Council on Education, Council on Examinations, Disciplinary and Ethics Commission, and other groups.

HELP US ADVANCE THE FINANCIAL PLANNING PROFESSION

Shorter-term, but no less meaningful, positions are also available, including:

Hearing Panel Volunteers: CFP Board's Disciplinary and Ethics Commission ("DEC") convenes disciplinary hearings several times each year as part of its responsibility for reviewing and taking appropriate action with respect to alleged violations of the Code and Standards. Hearing Panel volunteers assist the DEC by participating on the Hearing Panels that review individual disciplinary cases. Service as a Hearing Panel Volunteer is a prerequisite to service as a member of the DEC, and volunteers also earn CE credits for their participation.

Exam Development Volunteers: CFP Board convenes Item Writing Workshops with volunteers who participate as subject matter experts to help create multiple-choice questions to be submitted for use on future CFP® Certification Examinations. These workshops are generally conducted as two-day, in-person meetings during which volunteers receive training and then brainstorm and create items in small groups. Exam Development volunteers play an important role in the evolution of CFP® certification and also earn CE credits for their participation.

LEARN MORE AND REGISTER AS A VOLUNTEER:



If you register to volunteer for one or more of these activities, you will be added to a database of interested volunteers and may be selected to participate as opportunities arise. If you have questions or comments, please email volunteer@cfpboard.org.

CFP BOARD

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

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