

CFP Board's Business Update Webinar March 6, 2009

Attendee Questions

CFP® certificants were invited to submit questions before and during CFP Board's Business Update Webinar on March 6, 2009. While the panelists addressed many questions during the live Webinar, the panelists were unable to address all questions received from the more than 500 individuals who participated. Below are the questions submitted for the Webinar, grouped by general category, with responses from CFP Board.

CFP Board welcomes questions from CFP® certificants and other CFP Board stakeholders through our toll-free number, 800-487-1497, or to our general e-mail address, mail@CFPBoard.org.

Communications to CFP Board's Board of Directors may be directed to BOD@CFPBoard.org.

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CFP Board and the CFP® Certification

Q1: What is the current number of CFP® certificants in the United States, and what is the percentage of CFP® certificants who currently practicing financial planning?

A: As of February 28, 2009, there were 58,945 CFP® certificants in the U.S. Nearly 71% of CFP® certificants have indicated to CFP Board that they currently practice financial planning. General demographic information about the CFP® certificant community is updated on our Web site at the start of each month at www.CFP.net/media/profile.asp.

Q2: Seeing 1200 or so new individuals pass each exam, how many CFP® certificants drop off each year?

A: The CFP® certificant community continues to grow. In 2008, the number of CFP® certificants increased 4% and included the addition of 3,736 new CFP® certificants. At the same time, an average of about 100 individuals per month left the CFP® certificant population in 2008 for various reasons, including voluntary relinquishments for personal reasons and revocations imposed by the Disciplinary and Ethics Commission.

Q3: What are CFP Board's objectives for this year and the next three and five years?

A: At the start of 2008, CFP Board established a 3-year plan to support its mission to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for personal financial planning. The 3-year plan includes six core objectives that drive CFP Board's work in reaching toward its mission:

- 1) Credentialing: Provide the most rigorous financial planning credentialing process that is valid, reliable and legally defensible.

- 2) Education: Establish and enforce educational standards for enhancing the knowledge, skills and abilities of current and potential CFP® certificants.
- 3) Enforcement: Protect the public's interest through rigorous, ongoing enforcement of CFP Board's *Standards of Professional Conduct*.
- 4) Communication: Build the CFP® certification brand as the recognized standard of excellence in financial planning; Promote its understanding and acceptance among the public and other stakeholders.
- 5) Advocacy: Influence policy to benefit the public and increase access for all to competent and ethical financial planning.
- 6) Sustainability: Strengthen CFP Board's capacity to achieve its mission.

During 2009, CFP Board's top priorities will be related to the Communication and Advocacy objectives, working toward increased recognition of the value of the CFP® certification among the public, policy makers and regulators.

Q4: Will CFP Board ever put a requirement on the firm a CFP® certificant can work for?

A: CFP Board has long been neutral on the question of business models and compensation structures. The CFP® certification identifies individuals who have met the education, examination, experience and ethics standards established by CFP Board. We do not, and have no plans to, grant certification to firms or to groups of individuals.

Q5: Why are you taking on this idea that "big firms and brokers" are the enemy? Most of your members come from these groups.

A: CFP Board has long been neutral on questions of compensation method and business model, and we view the many large financial services firms that support the CFP® certification as partners in our work to benefit the public. While we often hear perceptions that CFP Board is focused too much on independent financial planners or on individuals employed by larger organizations, we value and work to have productive relationships with all segments of the financial planning profession.

Q6: Why doesn't CFP Board offer more practice management help?

A: CFP Board's mission is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for personal financial planning, and while we develop resources to assist financial planners in attaining, maintaining and promoting their certification, development of practice management resources falls outside our mission. There are many great practice management resources available through the membership organizations for financial planners, and CFP Board encourages CFP® certificants to consider the opportunities available through membership organizations.

Q7: What recommendations does CFP Board have for CFP® certificants working with people facing foreclosure?

A: We understand that all CFP® certificants are dealing with challenging situations, given the ongoing uncertainties of our economy and the markets. Many are facing issues they perhaps haven't faced before. CFP Board expects that clients facing foreclosure will benefit from receiving the same level of competent and ethical service expected of all CFP® certificants, placing the client's interest ahead of their own.

Q8: Please discuss the economic outlook for the next 6-12 months.

A: Over the past several months, we've all seen the challenging

Q9: Will CFP Board ever standardize a "financial plan" format, with perhaps some spreadsheet type illustration for simple plans to a more complex format for more complicated plans?

A: CFP Board may at some time create or endorse sample financial plan formats to illustrate best practices in financial planning. CFP Board believes CFP® certificants have the education, experience and professional judgment to develop the most appropriate methods and formats of delivering their financial planning services to meet the needs and best interests of their individual clients.

Q10: Will CFP Board host informative webinars on a more frequent basis? Will they offer continuing education credit?

A: CFP Board has scheduled three Business Update Webinars for 2009, with each Webinar occurring immediately before or after our Board of Directors meetings. We're more than willing to schedule more Webinars to share information about important initiatives and events, and we will communicate with the CFP® certificants community if and when any additional Webinars are scheduled.

As to the question of continuing education credit, CFP Board is not a continuing education provider. The purpose of our Webinars has been to share updates on CFP Board's activities and give certificants an opportunity for two-way communication with CFP Board's leadership, rather than continuing education. There are more than 3,000 continuing education sponsors registered with CFP Board, giving CFP® certificants ample opportunities to identify quality continuing education programs relevant to their needs and interests.

When appropriate opportunities have arisen, CFP Board staff have collaborated with continuing education providers, such as the ethics sessions presented last year through FPA's Virtual Learning Center and the upcoming ethics program that will be presented at FPA Retreat 2009 by Michael P. Shaw, Esq., Managing Director of Professional Review and Legal and Carol Lee Roberts, CFP®, Managing Director of Education.

Q11: When can we expect to get CE credit for Pro-Bono work?

A: CFP Board encourages CFP® certificants to give back to their communities through pro bono activities. We were extremely pleased that our 2008 survey of CFP® certificants found that the average certificant gives 25 hours each year to pro bono service. During the Board of Directors' meeting on March 4-6, the Board held a robust discussion about many aspects of CFP Board's continuing education requirements. The Board determined not to endorse proposals that CFP Board accept pro-bono work for continuing education credit. There were several reasons for this decision: 1) CFP Board's continuing education requirements are designed to foster the ongoing professional competency of CFP® certificants, and presentations made to the public have not been accepted for credit by CFP Board, 2) awarding continuing education credit for pro bono work creates an incentive inappropriate for the nature of pro bono activities, and 3) the nature of pro bono activities poses challenges for verification and translation into CE credit.

Q12: What would it take to reconsider the decision to offer CE credit for pro-bono work?

A: CFP Board's Board of Directors is open to considering suggested changes to the CFP® certification requirements. Any proposals would be reviewed in light of CFP Board's mission and our dedication to keeping the CFP® certification process the most rigorous financial planning credentialing process that is valid, reliable and legally defensible. All CFP Board stakeholders are welcome to communicate with the Board of Directors through the dedicated e-mail address, BOD@CFPBoard.org.

Q13: Is it possible that one ethics CE program could satisfy both the ethics requirements of CFP Board and the IRS?

A: It would be possible to create such a continuing education program that satisfied IRS requirements and that included at least 2 hours focused exclusively on CFP Board's ethical standards. Such a class would be offered by the IRS or another continuing education provider, not by CFP Board, as CFP Board has not traditionally delivered continuing education programs. The IRS is registered with CFP Board as a continuing education sponsor and has registered several programs with CFP Board. We encourage CFP® certificants to contact the IRS or your favorite CE providers with suggestions for new program ideas.

Q14: How can an academician get the required work experience for CFP® certification if he/she is not teaching in a CFP Board-Registered Program?

A: Applicants for CFP® certification can gain full credit toward the work experience requirement for academicians who spend the equivalent of three years full-time work in the instruction of CFP Board's financial planning topic list in a CFP Board-Registered Program. Teaching finance-related classes (for college credit) full-time at a university that does not have a CFP Board-Registered Program can also be used to satisfy up to two years of experience credit, but the third year of experience must be personal financial planning experience or teaching full-time at a CFP Board-Registered Program.

Q15: Why are the CFP® certification renewal fees so expensive?

A: The \$360 biennial CFP® certification fee breaks down to \$15 a month. The certification fee, in conjunction with other sources of revenue including exam fees, supports the operations of CFP Board in fulfilling its mission statement and objectives. Some of these activities include protection of the CFP® certification marks; enforcement of CFP Board's ethical standards; educating the public about the CFP® marks; and development and administration of the CFP® Certification Examination. It has been nearly five years since CFP Board last raised its certification fees.

Q16: Would a certificant who provides elements of financial planning, not comprehensive financial plans, choose "practitioner" when renewing certification?

A: CFP Board uses the term "practitioner" to identify CFP® certificants who have identified themselves as practicing financial planning with clients. The term does not indicate whether a CFP® practitioner is engaged in providing "comprehensive" financial plans. Certificants can indicate "practitioner" status through the certification renewal process or at any time by logging into their online CFP Board account and updating their demographic information.

Q17: I have been a member since 1975. Do I get a free lifetime membership?

A: CFP Board is a certification body, not a membership organization. A certification signifies something distinct from membership. The CFP® certification represents to the public that individuals who hold it meet CFP Board's current certification requirements. All CFP® certificants must meet the same requirements; there are no special statuses with reduced requirements.

Public Policy and the Regulation of Financial Planning

Q1: What specific actions is CFP Board taking in working in conjunction with the FPA and NAPFA?

A: The Financial Planning Coalition has made great progress since it was announced last December. In January, we released a Statement of Understanding setting forth the Coalition's objectives. We're at work developing a strategy to address regulatory reform as it affects financial planning, and we expect to release details of that strategy soon. The Coalition members have had many meetings with officials on Capitol Hill and have reached out to other influential organizations and individuals within the financial services industry to identify common ground and encourage support of the Coalition's objectives.

Q2: The current issue of Investment Advisor magazine has an editorial cajoling FPA and the FP Coalition to join forces in their efforts in Washington. Any chance this can happen?

A: FPA is part of the Financial Planning Coalition with CFP Board and NAPFA. These organizations have joined forces to form a Coalition that seeks to provide the financial planning profession with a strong, unified voice in Washington.

Q3: What is your strategic plan (with FPA and NAPFA) to influence separate regulation for independent RIA's v. FINRA reps?

A: The Coalition expects to release in the near future its strategy for addressing regulatory reform as it affects financial planning. While it's premature to release details of the strategy, CFP® certificants can expect to receive regular updates on the Coalition's activities, as well as calls to action when opportunities arise for the CFP® certificant community to show their support of the strategy.

Q4: What is the greatest challenge, as to regulation of financial planning, in the current legislative and regulatory environment?

A: There is wide expectation that regulation of the financial services industry will soon experience changes not seen since the era of the Great Depression, and we expect there will be many challenges as the process of reform begins in earnest. One of the challenges will be to get beyond the widely held perception that financial planning is simply investment advice. Another challenge will be working to ensure that any duty of care is set at a fiduciary level that puts the client's best interests first, rather than a lower standard that doesn't provide adequate protection to the public.

Q5: What actual or potential legislative action do you see as helping or challenging our profession? How do you see this legislation affecting the practices of individual CFP® certificants?

A: It's no secret that the current lack of federal regulation for financial planners has affected the practices of individual CFP® certificants by subjecting them to an inconsistent patchwork of Federal and State rules and requirements. While no specific legislative proposals for regulatory reform have yet been taken up by Congress, we hope that future legislative actions will take into account that financial planning as a distinct profession, that education, examination and experience are essential standards for the competent practice of financial planning, and that clients who receive financial planning services deserve to have their best interests placed first.

Q6: What financial planning model legislative language has the Financial Planning Coalition proposed?

A: The Coalition is still at work developing a strategy to address regulatory reform as it affects financial planning. We expect to release details of that strategy soon.

Q7: Has the Public Policy Council considered several regulatory reform scenarios?

A: Yes. The Public Policy Council has had in-depth discussion of possible scenarios and strategies related to regulatory reform. Input from the Council has gone into the Coalition's work on regulatory reform strategies. The joint survey the Coalition sent to CFP® certificants and others addressed several possible options for regulation of financial planning, and the input we received through that survey has informed the Coalition's work.

Q8: What consideration is the Coalition giving toward state regulation of Financial Planners? The states already regulate two key professions- physicians and accountants. It appears that you are moving solely toward a single nationwide regulator.

A: The current discussions of regulatory reform of the financial services industry have been almost exclusively focused at the Federal level, so we are seizing on the opportunity at the Federal level, and the Coalition's work to date has primarily addressed options for Federal regulation of financial planning.

Q9: Are there any organized efforts or groups that have come out in opposition to the Coalition's efforts to regulate Financial Planning?

A: While the Coalition's work is really just beginning, we have become aware of some misperceptions of statements in our Statement of Understanding, especially by some who interpreted the Statement's reference to the CFP® certification requirements as suggesting that CFP® certification be required for all financial planners. That is not the Coalition's goal, and CFP Board and the Coalition believe that any essential standards set for regulation of financial planning will encompass the education, examination and experience requirements of other financial planning credentials. CFP Board and the other Coalition members have been actively reaching out with those organizations to clear up the misperceptions, identify shared goals, and encourage consensus for the Coalition's objectives.

Q10: I'm a CLU and a ChFC. I did not see among the list or organizations now part of your Coalition the Society for Financial Service Professionals. Why are they not included?

A: The Coalition's Statement of Understanding included an invitation to all groups and organizations who share in this vision to work with us to achieve these goals for the benefit of the public and the profession. The Coalition has been reaching out to allied organizations to join the effort. If you are part of an organization that you would like to see involved in the Coalition's work, please contact them to encourage their participation.

Q11: Are we keeping an eye on the SEC? What do we know about Mary Schapiro and other SEC representatives' view of fiduciary standards for the entire industry, rather than FINRA's lower standard?

A: CFP Board and the Coalition have been in contact with SEC Chair, Mary Schapiro and the other SEC Commissioners. Commissioner Aguilar has made statements indicating his support for a strong fiduciary standard of care, and Commission Chair Schapiro and the other Commissioners have indicated their commitment to protecting the investing public and an openness to considering standards that place clients' best interests first. We will continue to monitor statements and actions taken by the SEC as they may affect financial planning.

Q12: Is this the time to mandate either legislatively or through our SRO that all are required to hold the CFP® designation if you are to position your self as a Registered Investment Advisor?

A: While the SEC and individual states regulate investment advisory services, there is currently no national regulation or SRO specific to financial planning. CFP Board and the Coalition believe that financial planning is a distinct profession within the financial services industry, and that not all involved in providing investment advice are providing financial planning services.

Q13: What steps are being taken in the investment industry for better disclosure of embedded fees such as bond markups, soft dollars?

A: There have been several proposals and actions in recent years to improve the transparency of fees related to different investment products. CFP Board's *Standards of Professional Conduct* require CFP® certificants to disclose information including compensation arrangements and conflicts of interest, and disclosure will continue to be a principle in any positions we take on policy issues.

Q14: Does CFP Board have the financial resources to effectively lobby Congress?

A: As a 501(c)(3) non-profit organization, CFP Board is permitted to lobby, within specific IRS parameters. CFP Board is observing all relevant lobbying guidelines. Given the urgency of the calls for regulatory reform of the financial services industry, the potential impact such reform may have on the CFP® certificant community, and the great opportunity these reform efforts have to establish regulations that better recognize the distinctiveness of financial planning and its great benefits for the public, CFP Board is devoting significant resources to its advocacy activities during 2009. At the same time, CFP Board and the Coalition we will be relying heavily on the compelling nature of our message and its benefits for the public as we pursue the Coalition's objectives.

Q15: What has been presented and/or accomplished via your lobbying efforts?

A: Much of CFP Board's advocacy work to date has focused on educating policymakers and legislators about the value the public receives from competent and ethical financial planning delivered by CFP® certificants. In addition to these educational activities, in 2008, CFP Board submitted comment letters on several issues put out for comment by the SEC, the North American Securities Administrators Association, and the President's Advisory Council on Financial Literacy. CFP Board also provided statements and background information to the Senate Special Committee on Aging as that committee reviewed the issue of protecting seniors from disreputable financial service providers who used questionable credentials to promote their services.

Q16: How can my firm, my clients and my colleagues best support the Coalition's efforts? How can we help in the effort to educate Congress and others?

A: When the Coalition announces its strategy for regulatory reform as it affects financial planning, there will be specific opportunities and requests for the CFP® certificant community to share support of the strategy and make contact with Congressional representatives.

At this time, there are several ways that CFP® certificants and other stakeholders can assist:

- Share first-hand experiences you've had where clients received questionable services from "financial planners" who did not hold CFP® certification or other reputable credentials.
- Notify us of any strong relationships you have with Congressional representatives.
- Share your comments and thoughts on policy issues at publicpolicy@CFPBoard.org.

Q17: What regulations are you backing at this time? Will CFP Board participate in any committees to make Hedge Funds transparent? Does CFP Board have a position on the resurrection of the Glass Steagal Act?

A: Given the momentum building around the issue of regulatory reform of the financial services industry, CFP Board's advocacy activities have been focused almost solely on that issue. In the future, CFP Board's Public Policy Council will work to identify specific regulations or proposals that most affect the CFP® certificant community and will advise CFP Board on the types of positions that further the organization's mission and benefit the CFP® certificant community and the clients they serve.

Q18: Robert Schiller of Yale has suggested that financial advice be subsidized. Your thoughts?

A: CFP Board supports efforts to make financial planning services available to a wider segment of the American public, and we are examining a variety of ideas for advancing this policy goal.

Public Awareness of the CFP® Certification**Q1: When will the CFP® mark have as much recognition as the CPA? When will a Financial Planner be recognized as an official occupation?**

A: The financial planning profession will celebrate its 40th anniversary in 2009. In contrast, the Certified Public Accountant title has been around since the 19th century. We're a young profession, and it will take time for the public to recognize the CFP® certification in the way they recognize the credential of CPA.

One important step in increasing public recognition of the CFP® certification is educating the public about financial planning and the type of work done by CFP® certificants. The average person probably can't give an accurate description of what distinguishes a CPA's work from the work of an accountant who is not a CPA, but they have a general understanding of what an accountant does. In contrast, many have no idea what financial planning is, or how the financial planning process differs from the work done by others in the financial services industry. When people understand what financial planning is and what value it will have for their lives, they will have more need to learn what differentiates a CFP® professional from "financial planner" with no professional credentials.

Another important step will be increasing the number of CFP® certificants to meet increased demand for their services. While the number of CFP® certificants in the U.S. now exceeds 58,000, there are more than 350,000 CPA members of the American Institute of Certified Public Accountants, and many more CPAs who have not joined that membership organization.

We also expect that the work of CFP Board and the Financial Planning Coalition to promote a strategy for regulatory reform as it affects financial planning will contribute to increased recognition of the CFP® certification.

Q2: What are we doing in this crisis to move CFP® practitioners into the public's eye and enhance my identity as a CFP® certificant?

A: CFP Board's media relations efforts have been focused on reaching consumer media to increase the visibility of the CFP® certification and awareness of the benefits of working with financial planners who hold CFP® certification, and the current economic crisis has added urgency to those efforts. We recently enlisted Eleanor Blayney, CFP® as CFP Board's Consumer Advocate, and she has been reaching the public through print and broadcast consumer media with timely messages that highlight the importance of competent and ethical financial planning provided by CFP® certificants. CFP Board's arrangements with Bankrate.com and Forbes.com to provide searchable listings of CFP® certificants have also expanded the public's access to CFP® professionals, and we are always looking for additional ways to increase the public's awareness of the CFP® certification as the recognized standard of excellence for personal financial planning.

Q3: Has any thought been giving to touting the relatively low pass rate of the CFP® exam as evidence of the value of the designation?

A: Yes. In its media relations, public policy and other outreach work, CFP Board makes frequent reference to the pass rate of the CFP® Certification Examination as evidence of the rigor of the CFP® certification.

Q4: What are the specific activities that CFP Board is doing with regards to educating consumers about being a fiduciary?

A: Since the time the revised Standards were adopted, CFP Board's media relations team has provided information about the fiduciary standard for CFP® certificants to hundreds of consumer media representatives. The fiduciary standard remains a key topic for our consumer outreach activities.

Q5: Tell us about your efforts in working with other groups AARP consumer protection groups and the like.

A: CFP Board has held discussions with AARP and other consumer protection groups to explore potential partnerships and collaborations. We are extremely pleased to have Joan S. Wise, Esq., General Counsel of AARP

on our Board of Directors, and we look forward to increasing CFP Board's involvement with other organizations that share our purpose to benefit the public.

Q6: Don't you think that CFP Board is being pretty hypocritical by working with AARP which is one of the largest Marketers of Financial Services (Life Insurance, etc)? Do they receive any compensation from products they recommend?

A: CFP Board's work with AARP will be limited to the AARP's primary non-profit organization, not their for-profit financial products affiliate. CFP Board will be seeking opportunities to reach AARP's large constituency (more than 39 million members) with information about the value of working with CFP® professionals. While we don't have any specific initiatives with AARP to share at this time, you can be assured CFP Board will not allow itself to be positioned as advocating any specific investment products or companies.

Q7: Given that 60% of the federal workforce will retire in the next 10 years, can CFP Board initiate a relationship to provide our services to that group?

A: CFP Board is very interested in supporting arrangements that would enhance consumer access to competent and ethical financial planning advice from CFP® certificants, and we are exploring opportunities to work with organizations that have large constituencies, such as the Federal workforce, to develop mechanisms that provide that access.

CFP Board's Revised Ethical Standards

Q1: Have you kept the Standards of Professional Conduct reasonably simple? (Complicated can often also mean avoided or misunderstood)

A: A key goal for the revision of the revised *Standards* was to present them clearly, in a way that would be easy to understand for CFP® certificants and the clients they serve.

Q2: Now that the new standards are being enforced, what steps will CFP Board take to assure compliance?

A: CFP Board's enforcement procedures have not changed as a result of the revised *Standards*. CFP Board's *Disciplinary Rules and Procedures* outline the investigation and enforcement processes CFP Board utilizes to review alleged misconduct by CFP® certificants that is self-disclosed on certification applications, brought to our attention by clients of CFP® certificants, or discovered during routine background checks. While some of the standards being enforced have changed, the enforcement process remains the same.

Q3: Are you aware of any lawsuits that have been filed alleging breach of the new fiduciary standard?

A: No. CFP Board has not been made aware of any lawsuits alleging breach of CFP Board's fiduciary standard for CFP® certificants providing financial planning services.

Q4: Why did CFP Board change the disclosure requirements for CFP® certificants, effectively eliminating commission-based advisors from obtaining and/or retaining their certification?

A: Disclosure requirements are a longstanding part of CFP Board's ethical standards for CFP® certificants. The changes to the disclosure requirements in CFP Board's revised *Standards* are applicable to all CFP® certificants, regardless of the compensation types they use, and are designed to provide clients with the information they need to make sound financial decisions.

Q5: How can a planner have conflicts of interest and also act as a fiduciary?

A: All business relationships are likely to include some conflicts of interest, and the revised *Standards* require that those conflicts be disclosed to clients so they can make informed decisions regarding their finances. CFP Board's *Standards of Professional Conduct* define the word "fiduciary" as: "One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client." CFP Board expects CFP® certificants to provide only financial planning recommendations (services and/or products) that they reasonably believe to be the best possible options available to their clients.

Q6: Please clarify how CFP® certificants who work primarily as stockbrokers are to apply the new fiduciary standard when working with clients?

A: If a CFP® certificant's work involves brokerage activities that do not rise to the level of financial planning or material elements of the financial planning process, CFP Board does not apply the fiduciary standard. CFP Board's revised *Standards* require that CFP® certificants who provide financial planning services do so with the duty of care of a fiduciary, which CFP Board defines as: "One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client." CFP Board expects CFP® certificants to provide only financial planning recommendations (services and/or products) that they reasonably believe to be the best possible options available to their clients.

CFP Board's ethical standards have always emphasized the importance of professional judgment. CFP Board acknowledges that it is impossible to review all possible options to select the best. There can be nearly infinite options when one brings together an individual's situation and goals with the ever-increasing range of choices available to the financial services industry. For a CFP® certificant who works in a setting where business or regulatory requirements limit the services or investments that can be made available to clients (captive agents, for example), CFP Board expects any financial planning services provided to be the best services and recommendations available, given the CFP® certificant's reasonable professional judgment and the limitations placed on the CFP® certificant by those business or regulatory requirements. In such situations, the CFP® certificant would be expected to disclose the limitations to the client, including any contractual or agency relationships that have potential to affect the client and any terms under which proprietary products may be offered.

For the CFP® certificant who is engaged in financial planning or material elements of the financial planning process, *Practice Standards* 400-2 explains that "the recommendations developed by the practitioner may differ from those of other practitioners or advisers, yet each may reasonably meet the client's goals, needs and priorities." Additionally, *Practice Standards* 500-2 explains that "products and services selected by the practitioner may differ from those of other practitioners or advisers [and m]ore than one product or service may exist that can reasonably meet the client's goals, needs and priorities."

Q7: Regarding commissions and fiduciary: If I know of a non-commission product that has no surrender schedule, how can I as a fiduciary offer a commissioned product as the recommendation for the client. And, with the increasing number of these products for "fee-only" planners, how can I survive without moving to an entirely fee-based practice? With the fiduciary standards, how can you say that this is a fee-neutral discussion?

A: CFP Board is neutral on questions of the business model or compensation type CFP® certificants choose to use in their practices. All types of business models and compensation types have benefits and disadvantages, and CFP Board's ethical standards have always emphasized the importance of professional judgment, which is highlighted in the definition of "fiduciary" in the updated *Standards*: "One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client."

The selection of products to recommend to a client is an activity that requires CFP® certificants to use their professional judgment. For a CFP® certificant who works in a setting where business or regulatory requirements limit the services or types of investments (such as commission or non-commission products) that can be made available to clients, CFP Board expects any financial planning services provided to be the best services and recommendations available, given the CFP® certificant's reasonable professional judgment and the limitations placed on the CFP® certificant by those business or regulatory requirements. In such situations, the CFP® certificant would be expected to disclose the limitations to the client and explain the benefits and trade-offs involved with any particular recommendation.

CFP Board's *Standards* acknowledge that CFP® certificants may provide different services and different recommendations in similar situations. For the CFP® certificant who is engaged in financial planning or material elements of the financial planning process, *Practice Standards* 400-2 explains that "the recommendations developed by the practitioner may differ from those of other practitioners or advisers, yet each may reasonably meet the client's goals, needs and priorities." Additionally, *Practice Standards* 500-2 explains that "products and services selected by the practitioner may differ from those of other practitioners or advisers [and m]ore than one product or service may exist that can reasonably meet the client's goals, needs and priorities."

Q8: If we enter into an Investment Advisory Relationship for a fee and no other (Financial Planning) Services are provided, does that constitute a Financial Planning Engagement?

A: The scope of the investment advisory relationship will determine whether it constitutes a financial planning engagement. Under the definition of “financial planning,” the *Standards* note that certificants may determine when they are providing services using the material elements of the financial planning process by considering, among other things, the degree to which multiple financial planning subject areas are involved.

CFP Board believes that if investment advisory services involving a single subject area alone and applying the financial planning process to that single subject area are not likely to be considered material elements of the financial planning process. However, if a certificant uses multiple subject areas and integrates those subject areas with the steps of the financial planning process at one time or over a period of time, the certificant may be providing services employing material elements of the financial planning process.

Another factor to consider is whether the client’s understanding and intent in engaging the certificant give the client reason to believe the services are financial planning. Certificants should also consider the comprehensiveness of data gathering and the breadth and depth of recommendations.

Q9: Does a client need a financial planning agreement if we are ONLY providing investment services?

A: “Investment Services” is a broad phrase that may or may not rise to the level of financial planning, depending on the specific services provided to a client or potential client. Under the definition of “financial planning,” the *Standards* note that certificants may determine when they are providing services using the material elements of the financial planning process by considering, among other things, the degree to which multiple financial planning subject areas are involved.

CFP Board believes that if investment advisory services involving a single subject area alone and applying the financial planning process to that single subject area are not likely to be considered material elements of the financial planning process. However, if a certificant uses multiple subject areas and integrates those subject areas with the steps of the financial planning process at one time or over a period of time, the certificant may be providing services employing material elements of the financial planning process.

Another factor to consider is whether the client’s understanding and intent in engaging the certificant give the client reason to believe the services are financial planning. Certificants should also consider the comprehensiveness of data gathering and the breadth and depth of recommendations.

Q10: Does providing a full copy of Form ADV satisfy the new disclosure requirements?

A: CFP® certificants involved in client engagements that involve financial planning or material elements of the financial planning process must make all of the disclosures listed in Rule 2.2, and they must also make those disclosures in writing. A Form ADV that accurately addresses all of the required disclosures will satisfy the new disclosure requirements. To assist a certificant in determining whether a Form ADV meets CFP Board’s requirements, our sample disclosure forms include references to specific sections of the Form ADV. These sample forms are available for download from CFP Board’s Web site at www.CFP.net/aboutus/Standards.asp.

Q11: Doesn’t the response to the Form ADV question above mean that CFP Board will be enforcing disclosure requirements based on opinion, rather than set standards?

A: No. CFP Board’s standards for disclosure are clearly identified in the *Rules of Conduct*. The items included in the typical Form ADV cover the items required to be disclosed under CFP Board’s *Standards*, but it is up to the individual certificant to ensure those items are completed with accurate and complete information specific to the services he or she provides to clients.

Q12: At one time only RIA s and fee based planners needed to provide Form ADVs to clients. Is this no longer so?

A: CFP Board’s revised *Standards* include disclosure requirements for all CFP® certificants, but CFP Board does not require CFP® certificants to use Form ADV, unless applicable SEC and/or state authorities require the form as part of an individual’s registration as an investment adviser.

Rules of Conduct Rule 2.2 identifies five disclosure items that every CFP® certificant must disclose to clients and prospective clients. Certificants, however, are not required to give clients or prospective clients those disclosures in writing unless they are providing financial planning services or material elements of the financial planning process.

CFP Board has prepared sample disclosure forms for CFP® certificants who provide services other than financial planning (Form OPS) and for CFP® certificants who provide financial planning services (Form FPD). Another sample form (Form FPDA) for CFP® certificants who provide financial planning services includes a client agreement in addition to client disclosures. All of these forms are available on CFP Board's Web site at www.CFP.net/aboutus/Standards.asp.

Q13: What are some best practices for CFP® certificants making disclosures to non-fee financial planning clients?

A: The *Rules of Conduct* do not specify a timeframe for sending out disclosure documents, but CFP Board believes a certificant's best practice is to disclose such items when the client requests such information or before any agreement is signed or prior to the execution of any transaction where the client is expected to pay for a service or product. If information previously disclosed to a client changes, Rule 2.2 requires that those changes be disclosed to the client in a timely manner.

Q14: Will you issue "no action" letters if contracts and ADVs are submitted for review (as meeting the new standards)?

A: CFP Board welcomes questions about specific aspects of the updated *Standards* and their application to specific situations. CFP Board will consider all questions submitted and draft a response where it determines that interpretation of the Standards is needed. For responses that it believes would be helpful to all CFP® certificants, CFP Board will publish its response in CFP Board's newsletters and on CFP Board's Web site. Because disclosure documentation and contracts will often be client-specific, and may comply with the Standards in one situation but fall short in another, we request that questions about forms be accompanied with as much detail as possible about the form's use.

Questions and requests for guidance documents may be sent to CFP Board at standards@CFPBoard.org.

Q15: How does the privacy act affect how we deal with clients?

A: One of the Principles of CFP Board's *Code of Ethics and Professional Responsibility* is Confidentiality: "Protect the confidentiality of all client information." Rule 3.1 of the *Rules of Conduct* states, "A certificant shall treat information as confidential except as required in response to proper legal process; as necessitated by obligations to a certificant's employer or partners; to defend against charges of wrongdoing; in connection with a civil dispute; or as needed to perform the services.

Q16: How do these standards apply to pro bono work, referred to me by my church pastors, for basic budget planning and credit management?

A: The revised *Standards* apply to the services a CFP® certificant provides to a client or potential client, regardless of the type of compensation the CFP® certificant receives for those services.

Q17: Are you currently partnering with Broker Dealers to bring consistency in the format and method of communication to those certificants looking for guidance from their Broker Dealer?

A: CFP Board welcomes questions about the revised *Standards* from CFP® certificants and the firms they are associated with. CFP Board has held many meetings with representatives of individual Broker Dealer, Registered Investment Adviser and Insurance firms to discuss the implementation of the revised *Standards*, and we have hosted meetings that brought many of these representatives together to discuss specific questions and share best practices for implementing the revised *Standards* in different business environments.

Q18: Previously you had published specific disciplinary actions, but I do not see that information available anymore. Could you tell me if you will be providing that or where it is currently posted?

A: CFP Board will continue to release information about public disciplines as it becomes available. This information is distributed through news releases and included in the monthly *CFP Board Report* newsletter.