

CERTIFIED FINANCIAL PLANNER  
BOARD OF STANDARDS, INC.

2008 | CFP Board's  
Annual Firm Meeting



December 5 ■ Westin City Center, Washington, DC

# CFP Board's Revised Ethical Standards

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# Overview of Today's Presentation

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- A Brief Review of the Revised *Standards of Professional Conduct*
- Definition of Financial Planning
- Required disclosures of Compensation, Costs and any Conflicts of Interest

# A Brief Review of the Revised *Standards*

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- *Standards* divided into 5 Sections
- Each Section applies to a particular step of the financial planning process
- Standards within each Section meant to be applied in a dynamic and robust manner

# The Six-Step Financial Planning Process

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- 1. Defining the relationship**
- 2. Gathering data**
- 3. Assessment of client's needs**
- 4. Recommendations to client**
- 5. Implementation to meet client's needs**
- 6. Follow-up with client**

# The Six-Step Financial Planning Process

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## 1 & 2. Defining the Relationship and Gathering Data

- A. **Certain disclosures important – but not all disclosures relevant at this early stage**
- B. **What to disclose (*See Rule 2.2*)**
  - i. **Who are you?**
  - ii. **Who do you work for?**
  - iii. **What services do you offer?**
  - iv. **Any limits on what you can provide?**
  - v. **How much do you charge?**

# The Six-Step Financial Planning Process

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## **1 & 2. Defining the Relationship and Gathering Data (continued)**

- c. In most cases, a financial planning relationship will not be established unless the clients agrees to it**
  - If a client wants financial planning from the start, agreement and disclosures required in writing at this stage (See *Rules 1.2, 1.3 and 2.2*)**

# The Six-Step Financial Planning Process

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- 3. Assessment of Client Needs**
  - A. Disclosure not necessary at this stage**
  - B. If you assess that the client needs financial planning, be ready to provide the required written agreement and disclosures under Rules 1.2, 1.3 and 2.2**

# The Six-Step Financial Planning Process

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## 4. Recommendation to Client

- A. If not financial planning, verbal disclosure is required
  - a. See disclosures required during the defining the relationship and gathering data steps;
  - b. You have assessed whether the client needs to obtain certain products or services to fill specific needs; or
  - c. The client needs overhaul of financial affairs

# The Six-Step Financial Planning Process

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## 4. Recommendation to Client (*continued*)

- B. If financial planning:
- Written Agreement
  - Written Disclosures

# The Six-Step Financial Planning Process

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5. **Implementation to Meet Client's Needs**
  - A. **If you have not disclosed at this point, you need to disclose now**
  - B. **If you are executing transactions based on a financial plan, disclosures should be in writing**

# The Six-Step Financial Planning Process

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## 6. Follow-Up with Client

- A. For services other than financial planning, timely disclosures must be made to update the client about the services you are providing
- B. If you are creating a new financial plan or monitoring a financial plan, you must disclose the same, but in writing

# What Is Financial Planning?

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Financial Planning = Six Steps + Subject Areas

# Financial Planning Subject Areas

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- Cash Flow & Budgeting
- Education Planning
- Investment Planning
- Income Tax
- Risk Management
- Retirement Planning
- Estate Planning

# Suggestion to Firms

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Create a dynamic and robust strategy to implement CFP Board's ethical standards during all stages of the client relationship

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