

CFP BOARD REPORT

News From Financial Planning's Professional Regulatory Organization

News Bullets

- **March 31 Deadline for 2003 Article Awards Competition Submissions**
- **Board of Governors Meeting Minutes Posted**
- **Ethics Tip: What a CFP® Certificant Needs to Disclose About Compensation to Clients**
- **The Simple Truth Behind CFP Board's Enforcement of Using the CFP Marks Correctly**

March 31 Deadline for 2003 Article Awards Competition Submissions

CFP Board is offering cash awards of \$1,000 for personal financial planning articles published in a print-media periodical. The deadline to submit articles from 2003 is March 31, 2004. For more information on the selection criteria and how to submit an article, go to www.CFP.net/certificants.

Board of Governors Meeting Minutes Posted

In January, CFP Board's Board of Governors held their first meeting of 2004. Discussion topics included appointments for a task force to review the *Code of Ethics and Professional Responsibility* and a task force to review governing policies and corporate bylaws. Minutes from the meeting can be viewed by clicking on the Board of Governors link at www.CFP.net/volunteers.

Ethics Tip: What a CFP® Certificant Needs to Disclose About Compensation to Clients

One of the most common complaints clients have is that their financial advisor did not tell them how he or she was compensated for their services. CFP Board's *Code of Ethics and Professional Responsibility* requires CFP® certificants – regardless of the specific professional services they are providing to clients – disclose certain material information to their clients.

Rule 401 of the *Code of Ethics* applies to all CFP certificants and requires disclosure of conflicts of interest and compensation structure, among other things, to clients. These disclosures do not need to be in writing, although many practitioners do so.

Rule 402 of the *Code of Ethics* applies to CFP certificants in a financial planning engagement and requires written disclosure of material information, including conflicts of interest and sources of compensation, prior to the engagement. The important thing to remember is that a financial planning engagement is determined by the relationship a certificant has with the client, not how the certificant is compensated. So, if you provide financial planning, even if the service was provided to the client at no cost, or your compensation is derived from the commissions on products you sell the client, you need to make disclosures required by Rule 402.

The exact dollar amount of compensation does not need to be disclosed to the client prior to the engagement, because it's likely not yet known. What does need to be disclosed is the source of all compensation – commissions (including deferred), percentage of assets under management, referral fees, hourly rates, etc. Under Rule 402, clients must also be told that they have the right to ask at any time for information about the amount of a certificant's compensation.

Under most circumstances, a Form ADV complies with the requirements of Rules 401

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CERTIFIED FINANCIAL PLANNER™

CFP®

The certification marks above are owned by Certified Financial Planner Board of Standards Inc. and are awarded to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Board of Governors

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CFP Board is directed by a Board of Governors which oversees four subsidiary boards. The Board of Governors establishes policy and oversees all CFP Board activities. Members serve three-year terms and a majority of Governors must be CFP® certificants. The CEO serves *ex-officio* as a Governor but does not have voting rights.

CFP Board Report is published to inform CFP® certificants, the profession and the public of CFP Board activities, policies and initiatives. A nonprofit professional regulatory organization, CFP Board fosters professional standards in personal financial planning so that the public values, has access to and benefits from competent and ethical financial planning. CFP Board does not discriminate in certification opportunities or practices on the basis of race, color, religion, sex, national origin, disability or any other characteristic protected by law.

Ethics Tips (cont.)

and 402. Certificants should make sure, however, that they do not have any conflicts of interest or earn compensation from any sources that are not included in his or her employer's or broker/dealer's Form ADV.

CFP certificants are encouraged to contact CFP Board's professional review department at 800-487-1497 or mail@CFP-Board.org if you have specific questions about disclosure obligations under the *Code of Ethics*. Sample disclosure forms that comply with Rules 401 and 402 can be downloaded from www.CFP.net/certificants.

The Simple Truth Behind CFP Board's Enforcement of Using the CFP Marks Correctly

Many CFP® certificants ask why CFP Board is so concerned with enforcing correct use of the CFP certification marks. The answer is simple – if the marks are used incorrectly, or if unauthorized individuals use the marks, the meaning behind the marks is jeopardized. If the CFP marks were to fall into common usage, the public would not be able to differentiate between a planner who has completed CFP Board's rigorous certification program and one who has not – anyone would be able to call himself or herself a “certified financial planner.”

More than ever before, consumers are looking for a financial planner they can trust. They are looking for symbols that convey the highest standards in financial planning. Consumers recognize that the CFP marks stand for competent and ethical financial planning standards. They know that individuals who have been authorized to use the marks have met education, examination, experience and ethics standards.

As a CFP certificant, you've worked hard to attain the certification, too hard to let the marks become meaningless. By using the CFP marks correctly, you can protect the marks and help CFP Board educate consumers about the benefits of working with a CFP professional. For more information about using the CFP marks, view the recently updated *Guide to Use of the CFP Certification Marks* at www.CFP.net/certificants.