July 2004 | Volume 11, Number 7

CFP BOARD REPORT

News From Financial Planning's Professional Regulatory Organization

News Bites

In This Issue

Job Analysis Survey Available Online Until August 20

If you are a CFP® practitioner, you should have received an e-mail or letter inviting you to participate in CFP Board's CFP® Practitioners 2004 Job Analysis Survey. The survey will take approximately 30 minutes and you don't need to complete the survey at one sitting. The survey will be available online until August 20. Please take a few minutes to complete the online survey. Your input is invaluable and will help shape the standards of competency required of future CFP certificants. Please call 800-487-1497 or e-mail mail@CFP-Board.org if you are a CFP practitioner and you need the Web site address for the survey.

Financial Alerts Added to CFP Board's Web Site

Many of the government and consumer organizations with whom CFP Board has developed relationships provide fraud alerts and other consumer-protection information on their Web sites. To encourage more consumers to take advantage of these resources, CFP Board has added a "Financial Alerts" link to its Web site. To view the link, go to **www.CFP.net/learn** and click on "Financial Alerts." For more news on CFP Board's consumer outreach, read the article about CFP Board's consumer eNewsletter on page 3.

Survey Finds Consumers Worried, Wary

Recent economic uncertainties have left consumers worried about their finances and looking for safeguards to ethical and competent behavior in their financial advisers, CFP Board's 2004 Consumer Survey reveals. The survey, released in June, draws comparisons with similar research conducted in 1999 and 2001. Thirty-nine percent of upper-income consumers surveyed are worried about their own lack of control over their finances, going into debt, their families' financial future and not having enough money for retirement.

Consumers also are more cautious about their financial advisers, placing increased importance on the standards they expect advisers to meet. The percentage of consumers who believe that adherence to a code of ethics is "extremely important" has increased from 70 percent in 1999 to 75 percent in the current survey. The percentage who rate being subject to disciplinary action by a peer review board as "extremely important" increased from 45 percent to 51 percent during the same time period. (See chart on page 5.)

"CFP Board has always believed that high standards, including an enforceable code of ethics, are key to the public's confidence in financial advisers," says David Diesslin, CFP®, chair of CFP Board's Board of Governors. "After emerging from an economic period defined by scandals that have shaken consumer confidence, it's clear the public is placing a premium on ethics."

Shift in goals, satisfaction

Uncertain economic conditions also have led consumers to adjust their financial goals, the survey shows. Although retirement planning continues to be the most critical financial goal, it received a smaller percentage of responses than in past surveys, while increased percentages of consumers said they want to build an emergency fund, manage or reduce current debt, and purchase or renovate a home.

The survey found that financial planners are the primary advisers of 24 percent of upper-income consumers surveyed, up from 19 percent in 1999, with the use of financial planners increasing with a consumer's age and growing net worth. Less than half of upper-income consumers surveyed reported having a written financial plan (37 percent). Those with a written plan are more likely to feel satisfied with how they manage their financial affairs and are less likely to be worried about being prepared financially for retirement.

Claimed overall satisfaction levels with all financial advisers have declined, however, from 85 percent who reported being extremely or very satisfied in 1999 to 81 percent in the current survey. For financial planners specifically, 83 percent of consumers reported being extremely or very satisfied currently, compared with 86 percent in 1999.

Awareness of marks

The CFP certification marks continue to be the most recognized financial planning credentials and trail only the CPA among all financial services credentials, with more than half of upper-income consumers aware of the CFP marks. In addition, 84 percent of consumers who use a CFP® certificant as their primary adviser reported being extremely or very satisfied.

Clients of CFP certificants reported that they perceive a greater need for a financial adviser and are less doubtful about an adviser's qualifications than did clients of other advisers. In addition, clients of CFP

(... continued on page 5)

Board of Governors

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.

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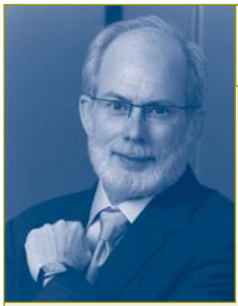

Chair's Message

As part of its mission to benefit the public, CFP Board conducts consumer research from time to time to better understand consumers' expectations of financial planners and ascertain the public's perception of financial planning. The information gained from this research helps CFP Board to learn where we can improve in our efforts to educate the public about the value of the ethical, competent financial planning, as embodied by the CFP® certification.

Our most recent consumer survey, for example, found that many Americans are worried about their finances and are more cautious about their financial advisers. With everything that has happened in recent years, from upheavals in the financial markets and job losses to corporate scandals and war, it's not surprising that consumer confidence has been shaken.

At the same time, consumers were right on, in my opinion, when they ranked as "extremely important" an adviser who adheres to a code of ethics and professional practice standards, is subject to disciplinary action administered by a peer review board, passes a certification examination, and completes a curriculum specific to financial planning. *(See story on page 1 and chart on page 5.)*

Consumers also told us that it is extremely important for their adviser to have other qualities, including someone who:

- *Earns clients' trust,*
- *Listens,*
- *Informs them about various financial products,*
- *Shows more interest in meeting needs than selling products,*
- *Provides expert advice,*
- *Meets regularly to track progress,*
- *Reviews financial portfolios and goals,*
- *Maintains a high level of professionalism,*
- *Allows the client to choose the degree of control he or she wants over decisions,*
- *Charges a reasonable amount for services, and*
- *Discloses compensation.*

As I look at these results, I am struck by how closely they mirror the ethical and competency standards voluntarily subscribed to by CFP certificants. In short, CFP certificants are committed to those qualities that consumers say they want and need in their financial advisers: adherence to a professional code of ethics and to a financial planning process that takes into consideration each client's unique goals and financial situation.

I encourage you to take a closer look at the findings of the survey, which are posted online at ***www.CFP.net/2004survey.*** *In addition, I hope you will take a moment to read the ethics case study and the story about the principles of fairness and confidentiality, which are featured in this issue of* CFP Board Report. *Together, let's use every opportunity to learn not only what we are doing right, but what we can do better to serve the public.*

Dave

Free Consumer eNewsletter Reaches 16,000 Readers

The latest issue of It's Your Turn, *CFP Board's free electronic consumer newsletter, was read by more than 16,000 subscribers, and the number continues to grow.*

"People are signing up to receive the newsletter at the rate of about 1,000 a month," says Jeff Russell, Internet communications manager at CFP Board. "We've received numerous compliments from subscribers, which is very gratifying. I view the positive response as a vote of confidence in the information CFP Board is providing to consumers."

The periodic newsletter includes basic tips, consumer alerts, and financial tools and surveys. Among the topics in recent issues: tips on paying for an auto or home; saving for education; what to expect when exchanging insurance policies; how to evaluate a financial planner; the top 10 scams, schemes and scandals as ranked by state securities regulators; and a link to the Securities Exchange Commission's Web site where consumers are asked to complete a survey about the usefulness of new SEC disclosure forms.

"The newsletter provides a forum for CFP Board to respond to common consumer questions, provide information about financial planning and stay more closely in touch with consumers," Russell says.

To sign up for the free eNewsletter, or to help your clients subscribe, follow these steps:

1. Visit CFP Board's Web site at **www.CFP.net/learn.**
2. Provide your e-mail address where it says "Join our Newsletter" and click "Join."
3. You will receive an e-mail confirmation, which includes information on how to unsubscribe.

"E-mail addresses are used only to send the newsletter," Russell emphasizes. "Visitors' information is not provided to third-party organizations."

To read past issues of *It's Your Turn,* go to the "Publications and Resource Library" at **www.CFP.net/learn/library.asp.**

Ethics and Standards (... continued from back page)

less of the specific professional services they are providing. Certificants who enter into a financial planning engagement must abide by an even stricter standard, which requires that these disclosures be made in writing prior to the engagement. Under most circumstances, providing Form ADV complies with these requirements.

"The exact dollar amount of compensation does not need to be disclosed prior to the engagement, because it may not be known yet," Brock says. "What does need to be disclosed is the source of all compensation, i.e., commissions (including deferred), percentage of assets under management, referral fees, hourly rates, and so on. In situations where a financial planning engagement exists, clients also must be told that they have a right to ask at any time for information about the amount of a certificant's compensation and that information must be provided in a timely manner."

Under the principle of fairness, CFP Board designees are expected to perform services with dedication to the lawful objectives of their employers. So, for example, a CFP Board designee may not "sell away," nor may a planner solicit clients from a former employer unless allowed to do so.

Principle 5 – Confidentiality. *A CFP Board designee shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing by the CFP Board designee or in connection with a civil dispute between the CFP Board designee and client.*

A relationship of trust and confidence between a planner and a client is built on the understanding that the planner will protect the client's privacy by keeping his or her information confidential. "We rarely see cases where clients complain of a breach of confidentiality," Brock says. "However, a problem could arise if, for example, a client was going through a divorce and the spouse requested financial information from the planner.

"The important issue here is to be very clear who your client is," Brock continues. "If it's the couple, then you are required to share information with both parties. If it's only the individual, then you would violate the principle of confidentiality if you shared information with his or her spouse."

Federal privacy laws also prohibit financial planners in most cases from disclosing personally identifiable financial information about their clients. Unfortunately, this could work to a planner's disadvantage if a client made a complaint to CFP Board and privacy regulations prevented the planner from supplying CFP Board with the client's financial information as part of the planner's defense.

"Because CFP Board is not a government agency, it does not receive an automatic exception from privacy restrictions," Brock says. "Certificants must obtain the client's permission to disclose information to CFP Board." To avoid this situation, Brock recommends that planners, with advice from their attorney or compliance officer, build into their privacy statements a specific exception that allows them to disclose client data to CFP Board when requested as part of a disciplinary proceeding.

"And, of course, reassure your clients that CFP Board will also protect their privacy," Brock adds.

Disciplinary Actions

CFP Board has reported the following disciplinary actions to various regulators, consumer groups, firms, membership groups and media outlets. To read the press release, go to ***www.CFP.net/media.***

Revocation

- **Robert Gutner, Boynton Beach, Fla.:** In March 2004, CFP Board permanently revoked Mr. Gutner's right to use the CFP marks after he failed to file an answer to CFP Board's complaint investigating its discovery of: 1) a customer complaint filed with Mr. Gutner's broker/dealer claiming damages of $130,000 and generally alleging that Mr. Gutner sold his client unsuitable investments and 2) a second customer complaint filed with Mr. Gutner's broker/dealer claiming damages of $500,000 and generally alleging that Mr. Gutner sold his client unsuitable investments and made misrepresentations with regard to those investments. Because Mr. Gutner failed to file an answer to CFP Board's complaint, the allegations in the complaint were deemed admitted and an order of revocation was issued.

Interim Suspension

- **Chad A. Carpenter, Denver, Colo.:** In June 2004, CFP Board issued an order of interim suspension to Mr. Carpenter with respect to his guilty plea to criminal felony charges of unauthorized use of a financial transaction device (credit card fraud), for which he received a one-year deferred sentence and was ordered to pay restitution. Allegations were that, without the card holder's knowledge or consent, Mr. Carpenter used the credit card number of an individual to make personal purchases over the Internet of more than $500 and less than $15,000. Due to the nature of the matter and the related media publicity, in April 2004, CFP Board issued Mr. Carpenter an order to show cause requiring him to provide evidence why his right to use the CFP marks should not be suspended during CFP Board's investigation. After a hearing, the Board of Professional Review determined that Mr. Carpenter failed to provide sufficient evidence that his right to use the CFP marks should not be suspended, and accordingly, Mr. Carpenter's right to use the CFP marks is immediately suspended until further notice.

Suspensions

- **Austin C. Cogswell, Atlanta, Ga.:** In March 2004, CFP Board suspended Mr. Cogswell's right to use the CFP marks for two years after it found that: 1) the State of Georgia revoked his securities salesman registration after it deemed he sold promissory notes, which it deemed to be unregistered non-exempt securities; 2) Mr. Cogswell failed to adequately disclose his outside business activities to his broker/dealer and as a result was discharged from his employment therewith; 3) Mr. Cogswell was barred from association with any National Association of Securities Dealers (NASD) member in any capacity when he consented to findings that he violated NASD Regulation Inc. Conduct Rules 2110, 3030 and 3040 with respect to his outside business activities and his failure to properly disclose to and/or get approval from his broker/dealer; 4) California determined that promissory notes Mr. Cogswell sold were securities that were not properly registered for sale in California and issued Mr. Cogswell a cease and desist order; 5) Mr. Cogswell failed to disclose one of the state securities commission proceedings, the NASD proceeding and a civil suit to CFP Board as required; and 6) Mr. Cogswell failed to disclose his professional suspension and bar to CFP Board within 10 days as required by Article 12.2 of the *Disciplinary Rules and Procedures*.

- **Robert J. Hudson, Essex Junction, Vt.:** In March 2004, CFP Board accepted Mr. Hudson's offer of settlement wherein he admitted to violating CFP Board's *Code of Ethics and Professional Responsibility* and agreed to a three-month suspension of his right to use the CFP marks, after its investigation of a grievance and a civil lawsuit related to his sale of charitable gift annuities, without prior written approval from his broker/dealer; his entry into three consent orders with the Vermont Securities Division related to the sale of the charitable gift annuities, which resulted in the suspension of his securities and insurance licenses for three months; and his entry into a letter of acceptance, waiver and consent with the National Association of Securities Dealers, wherein he consented to a five-month suspension. Mr. Hudson's CFP Board suspension was in effect from April 9, 2004, through July 9, 2004. He successfully met CFP Board reinstatement requirements and his certification was reinstated effective July 10, 2004.

- **Edward A. Maxfield, Desert Hot Springs, Calif.:** In March 2004, CFP Board suspended Mr. Maxfield's right to use the CFP marks for two years after its investigation of a letter of acceptance, waiver and consent (AWC) into which he entered with the National Association of Securities Dealers (NASD) and in

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Disciplinary Actions

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which he consented to the entry of findings that he offered for sale and sold to public customers securities that were not properly registered nor exempt from registration. Pursuant to the AWC, Mr. Maxfield was fined $15,000, ordered to pay more than $55,000 in financial benefits to customers and suspended from association with any NASD member for one year. Mr. Maxfield failed to notify CFP Board of his professional suspension within 10 days, as required. CFP Board also found that Mr. Maxfield was the subject of a desist and refrain order by the California Department of Corporations, ordering him to desist and refrain from acting as an unlicensed broker/dealer and from offering and selling unqualified securities. Mr. Maxfield failed to disclose the order on the applicable renewal form, as required.

Public Letters of Admonition

- **Libbie Agran, Santa Monica, Calif.:** In March 2004, CFP Board accepted Ms. Agran's offer of settlement, wherein she admitted to violating CFP Board's *Code of Ethics and Professional Responsibility* and consented to the issuance of a public letter of admonition. Pursuant to the settlement offer, Ms. Agran acknowledged that the investment contract she entered into with a client did not clearly state the nature and the scope of services to be provided.
- **Robert E. Morris, Hillsboro, Ore.:** In March 2004, CFP Board issued Mr. Morris a public letter of admonition after a hearing and determining that Mr. Morris was found to have violated his broker/dealer's policies, that Mr. Morris entered into a letter of acceptance, waiver and consent with the National Association of Securities Dealers in which he consented to findings that he purchased five different common stocks during the companies' IPOs, and was censured and fined. CFP Board also found that Mr. Morris entered into a settlement agreement with a client in which his firm acknowledged liability and responsibility for investment and trading losses in the client's account.

Consumer Survey

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certificants reported being extremely or very satisfied that their adviser:

- Gives good advice/is knowledgeable (87 percent for clients of CFP certificants versus 80 percent for clients of other advisers);
- Reviews financial portfolio and goals (89 percent for clients of CFP certificants versus 74 percent for clients of other advisers);
- Meets regularly to track progress (78 percent versus 66 percent); and
- Informs about various financial products (81 percent versus 68 percent).

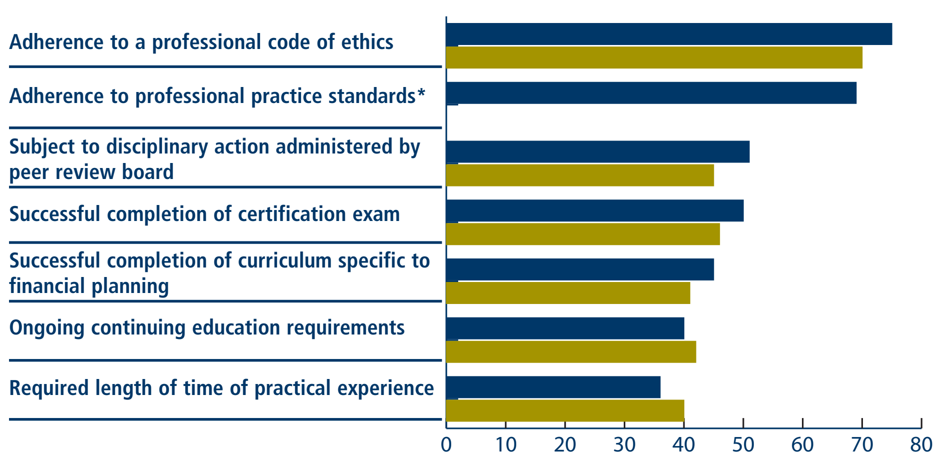
CFP Board's 2004 Consumer Survey was conducted via written questionnaire in late 2003, and includes responses from 1,122 households whose income placed them in the top quartile for the age group of the person completing the survey. The qualifying income level varied, depending on the age group; the average household income of respondents is $115,000, and the average net worth is $576,000. For additional survey results, go to **www.CFP.net/2004survey.**

CFP Board also conducted a general market survey of households whose average income is $52,000. The results of the general market survey are available at the same Web site page listed above.

Standards That Consumers Seek in a Financial Adviser (Rated as "Extremely Important")

2004 percentages

1999 percentages



*Not surveyed in 1999. Source: CFP Board 1999 and 2004 Consumer Surveys of upper-income households. While the percentages of consumers who think these standards are either "very" or "extremely important" range from 78 percent to 97 percent, increased percentages of individuals have rated these standards at the highest "extremely important" level.

Case Study: Documenting Client Conversations

Editor's Note: The following case study illustrates the importance of written documentation of client conversations and verbal decisions that could be used as material evidence in a complaint against a financial planner. As used in this case study, "CFP Board designee" includes both CFP® certificants and candidates for certification.

The Situation

Jane Doe, a CFP Board designee, was a well-respected employee of a securities firm at the time when she acquired a new client. On the firm's new account form, the client described himself as an experienced investor with an investment objective of "long-term growth" and a risk tolerance of "speculation."

According to Ms. Doe, the client, who had a net worth of $1.2 million, told her during their initial meeting that he had $425,000 to invest, named four companies whose shares he was interested in purchasing, and asked for a recommendation on a good quality stock mutual fund. She noted that the client seemed anxious to get started and did not want to wait for her to prepare a financial plan.

Although his new account form stated an objective of "long-term growth," Ms. Doe recalled that the client verbally stated that he wanted to write options on his stock positions and consider short sales. He said that he thought $100,000 per year in gains was achievable and was not concerned about the tax consequences. Further, he mentioned that he wanted to be out of the market within nine months.

Ms. Doe said that the client was quite forceful and several times during the meeting stated that he did not want to be sent "a lot of paper," meaning research reports or mutual fund prospectuses and marketing materials. She also reported that the client said he did not need to confirm orders as he was a busy man and difficult to reach. Ms. Doe told him that his request amounted to her having discretionary authority over his brokerage account, which her firm did not allow.

The following day, Ms. Doe placed an order for 500 shares of one of the companies named by the client during their meeting, and two days later, she placed an order for 900 shares of a second company named by the client. In addition, she invested $150,000 in the growth fund she had recommended to him.

The Problem

Several days after the transactions were completed, the client telephoned Ms. Doe to express his concerns over the decline in the price of the stocks, but decided not to sell at that time. He telephoned Ms. Doe again when the stocks went down further and spoke with her manager, alleging that Ms. Doe had effected unauthorized trades in his account, and expressed his desire to terminate his relationship with the firm. The stocks and mutual fund were promptly sold, and Ms. Doe's firm settled the complaint for $43,675, the amount of loss in account value.

> **Case Study Take-Away**
>
> Document in writing all business-related conversations with your clients and the verbal decisions you mutually agree to, and provide a copy of the documentation to your clients. Include what the client stated, what you advised and the agreed-upon plan of action. Also be sure to include instances when the client opts to not take your recommendations.

As a result of trading irregularities in the client's account, Ms. Doe was disciplined by the firm. She was suspended without pay for 10 days, paid a fine, made restitution to the firm for the amount of the loss, and agreed to increased supervision during a probationary period.

The Process

Although CFP Board does not require the disclosure of customer complaints, it will investigate the substantive allegations when such complaints are disclosed or discovered. In Jane Doe's case, the information was uncovered during a routine audit of her Central Registry Depository (CRD) report.

Ms. Doe cooperated fully with CFP Board's investigation. In her defense, she stated that it is normally her practice to profile potential clients thoroughly, present a written plan, monitor progress and communicate with clients on a regular basis. In this case, however, the client described himself as an experienced, aggressive investor, and said he was not interested in a written financial plan or in receiving a lot of paperwork. Nevertheless, she sent him a prospectus for the mutual fund and research reports on the stocks he had discussed with her prior to placing the trades for him.

Ms. Doe also claimed that during their initial meeting, she pointed out the tax consequences of frequent trading and cautioned the client regarding his aggressive investment outlook. Then, she placed the purchase orders because she thought that was what the client wanted. She admitted that she failed to get a final OK from the client to make the trades, an action that she regretted. She also expressed gratitude to her firm for working with her to resolve the incident and to allow her to continue to serve her other clients. She provided two testimonial letters on her behalf from her regional sales manager and chief compliance officer.

After considering the evidence in the case, CFP Board's Board of Professional Review issued Ms. Doe a Private Censure for failing to obtain the client's final authorization for three trades made in his account totaling $368,000. In mitigation, CFP Board considered that her firm continued to support her. In aggravation, it considered that she did not educate the client as to the risks of his investments, failed to correct his investment expectations and merely executed trade orders.

(... continued on page 7)

Job Analysis Survey Sent to CFP® Practitioners

The 2004 Job Analysis Study took the next step on July 19 when more than 38,000 CFP® certificants who have identified themselves to CFP Board as practitioners received an e-mail or letter inviting them to complete the online survey. Practitioners have five weeks to complete the survey via the Internet. In addition to administering the survey on CFP Board's behalf, The Chauncey Group International is also providing statistical services for CFP Board's large-scale study.

The results of the Job Analysis Study will be used to update minimum curriculum content requirements for CFP Board-Registered Programs, specifications for the CFP® Certification Examination and acceptable topics for continuing education credit.

"The Internet makes it possible for us to survey a much larger population of CFP practitioners this year than in previous Job Analysis Studies conducted in 1987, 1994 and 1999," says Kathryn Ioannides, CFP®, director of education and examination at CFP Board. "A large number of participants will allow us to delve more deeply than ever into the tasks and topics that CFP practitioners deem important for the competent and ethical practice of personal financial planning."

Developed by practitioners

To develop the survey, CFP Board convened a volunteer task force of 14 CFP practitioners, led by co-chairs Susan O'Grady, CFP®, and J. David Ashby, DBA, CPA, CFP®. The task force reviewed the results of the 1999 study, as well as input from a small group of CFP practitioners and educators who were interviewed last spring about current financial planning practices and trends. The task force designed the survey, sent it to another group of CFP practitioners for pilot testing and revised the survey based on the comments received.

Analyzed by practitioners

Results of the survey will be analyzed by a second task force of CFP practitioners this fall. Based on their recommendations, CFP Board will update the topics covered in the 2006 and future CFP® Certification Examinations.

"The success of the job analysis hinges on large numbers of CFP practitioners completing the survey so that The Chauncey Group International can obtain the most reliable data possible," Ioannides says, who adds that the survey takes less than 30 minutes to complete and can be done in multiple sessions.

"Participating in a job analysis is an important way for CFP practitioners to make sure that the standards set by CFP Board appropriately reflect the best practices in personal financial planning today," Ioannides says.

CFP practitioners who did not receive an invitation in July are asked to check the currency of their contact information on CFP Board's Web site. To confirm whether you have been classified as a CFP® practitioner or not, check your personal listing at **www.CFP.net/search.** Contact CFP Board at 800-487-1497 or mail@CFP-Board.org if you are a CFP practitioner and need the Web site address to take the survey.

5-PART ONLINE JOB ANALYSIS SURVEY	
Part 1	Asks for background information so that researchers can analyze differences among sub-groups.
Part 2	Asks practitioners to rank in importance the tasks that are necessary for competent performance by CFP® practitioners.
Part 3	Asks about the knowledge, or topics, CFP® practitioners should master in order to competently perform their professional responsibilities. Topics are addressed in seven broad areas: general principles of financial planning, risk management and insurance planning, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.
Part 4	Practitioners are asked what percentage of the CFP® Certification Examination should be allocated to the major topic areas identified in Part 3.
Part 5	Provides an opportunity for practitioners to add comments, including trends they anticipate in the future and training that would help them improve their performance as financial planners.

Case Study (... continued from page 6)

The Solution

Despite the client's somewhat overbearing manner, Ms. Doe could have avoided this situation by insisting that all protocols be followed, including obtaining a final confirmation from the client before executing the trades. In addition, Ms. Doe would have been shown greater prudence if she had taken the time to document in writing what the client had told her during their initial meeting and her advice. A follow-up letter to the client, outlining their conversation and verbal agreements, would have served to provide evidence of her side of the story when the complaint was raised.

Ethics and Standards

Fairness and Confidentiality Help Define Ethical Responsibilities

Editor's Note: The April issue of CFP Board Report *reviewed the first three principles of the* Code of Ethics and Professional Responsibility. *In the story that follows, the principles of fairness and confidentiality are examined. As used in this article, "CFP Board designees" include both CFP® certificants and candidates for certification.*

Principle 4 – Fairness. *A CFP Board designee shall perform professional services in a manner that is fair and reasonable to clients, principles, partners and employers, and shall disclose conflict(s) of interest in providing such services.*

Like the Golden Rule, fairness involves treating others in the same fashion that the planner would want to be treated and is an essential trait of any professional. More specifically, the principle of fairness requires CFP Board designees to demonstrate impartiality, intellectual honesty and a commitment to disclose conflicts of interest when working with clients, peers and employers.

The most common complaint heard by CFP Board's Board of Professional Review related to the principle of fairness is that the planner failed to disclose all sources of compensation and/or conflicts of interest. "For example, a client complains that a planner did not disclose a commission or fee paid to them on an investment product sold to the client, or complains that the planner failed to disclose a personal interest in an investment product recommended to the client," explains Margaret Brock, director of professional review at CFP Board.

The principle of fairness requires all CFP certificants to disclose conflicts of interest and compensation structure, among other things, to clients, regard-

(... continued on page 3)

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