

**Program Directors' Conference
August 15th Breakout Session
Topic: Financial Plan Development
Course Requirement and
Best Practices in Case Studies**

CFP[®] Certification

There are four initial certification requirements in the U.S.

Education
Examination
Experience
Ethics

CFP[®] certification indicates to the public that an individual has the ability and competence to provide personal financial planning without supervision.

Financial Planning Standards Board

FPSB is the international counterpart to CFP Board. FPSB requires the development of a comprehensive financial plan as one of their assessment standards for CFP® certification. CFP Board has adopted this requirement for certification, and beginning in 2012, all pre-certificants and challengers must complete a **Financial Plan Development Course** prior to taking a CFP® Certification Examination.

Why require a Financial Plan Development Course?

Registered programs need to train and prepare students to provide comprehensive and integrative financial plans for the public without supervision.

Case analysis, as tested by CFP Board, assesses one's ability to analyze, synthesize, and evaluate complex personal financial situations in an integrated format.

Pre-certificants and challengers need to develop broader financial planning skills and expertise which demonstrates certified competency in personal financial planning.

CFP® Certification Examination

Cases assess the ability to *apply* knowledge of the 89 topics to specific financial planning situations. The 7 subject areas include:

- General Principles of Financial Planning
- Insurance Planning and Risk Management
- Employee Benefits Planning
- Investment Planning
- Income Tax Planning
- Retirement Planning, and
- Estate Planning

Financial Plan Development Course

Designed to develop a wider range of financial planner skills and abilities:

- Communication skills, both written and oral
- Financial counseling skills
- Decision-making skills
- Problem-solving skills
- Team work-collaboration with other professionals

Financial Plan Development Course

Framework of a financial plan:

- The financial plan is individually written and orally presented
- The financial plan is comprehensive and addresses all subject areas
- Financial planning subjects are integrated throughout the plan
- Development of the plan is guided by the *Financial Planning Practice Standards*₇

Financial Planning Process and *Practice Standards*

- Establish and define the relationship with the client.
100 Series
- Gather client data including goals. 200 Series
- Analyze and evaluate the client's financial status.
300 Series
- Develop and present financial planning
recommendations and/or alternatives. 400 Series
- Implement the financial planning recommendations.
500 Series
- Monitor the financial planning recommendations.
600 Series

Developing Financial Plans

Financial Planner Competencies

- **Practitioners know how to:**
 - Interview prospective clients and mutually define the scope of the financial planning engagement
 - Facilitate the goal-setting process, prioritize goals and determine the feasibility of achieving them
 - Determine which quantitative information is sufficient and relevant to the scope of the engagement
 - Analyze a person's financial situation and evaluate to what extent their goals, needs and priorities can be met by their resources
 - Work with clients to select and justify personal and economic assumptions used in the financial plan
 - Consult with other professionals and incorporate their recommendations into the financial plan
 - Consider alternative courses of action, if appropriate
 - Formulate cohesive and defensible financial planning recommendations suitable for a person's circumstances, goals and priorities
 - Present a written financial plan with recommendations to a client and explain the impact it will have on their goals, needs and priorities
 - Facilitate the implementation process
 - Monitor a financial plan

Financial Plan Development Course – Learning Outcomes

- Prioritize goals and determine the feasibility of achieving them
- Determine which quantitative information is sufficient and relevant to the scope of the engagement
- Analyze a person's financial situation and evaluate to what extent their goals, needs and priorities can be met by their resources
- Consider alternative courses of action, if appropriate
- Formulate cohesive and defensible financial planning recommendations suitable for a person's circumstances, goals and priorities
- Present a written financial plan with recommendations and explain the impact it will have on the person's goals, needs and priorities

Best Practices in Case Studies

What are the best methods for teaching the development of financial plans?

- **Comprehensive Case Studies**

A learning tool using detailed descriptions of an actual or simulated situation involving financial planning issues faced by a person or family.

- **Integrate and apply knowledge of core topics**
- **Replicate real-life experience**
- **Enhance analytical skills and tools students will use on the exam and in their careers**
- **Require active participation and involvement**

Where will programs get comprehensive case studies?

- **Written by schools or publishers – fact patterns would be unstructured and random as compared to current cases with MCQ. Context driven rather than fact pattern driven.**
- **Written by students from client experience – an actual or hypothetical case written about a “client”. Must be comprehensive, integrated and cover all core topics.**

Case Course Materials May Include

- Financial documents e.g. tax returns, wills, life insurance policies, investment accounts, summary plan documents, employee benefit brochures.
- Instructor guides with recommendations and solutions
- Checklists and/or questionnaires
- Template or financial planning software
- FPA and NAPFA materials

Possible Teaching Methods Using Case Studies

- **Each student is assigned a different case to use in developing a financial plan.**
- **Assign the same case to a group of students but have them work independently**
- **Assign a “client” to a group of students and give them prepared documents and case facts to use in developing the financial plan**
- **Students select their own “client” and develop a comprehensive financial plan outside of class.**
- **Students are given a choice of using their own client or taking an assigned case**

Where do Addendum Topics Fit?

Include Addendum Topics in the Financial Plan Development Course

→ Two addendums to the *Topic List for CFP® Certification Examination* are not directly tested on the CFP® Certification Examination.

Topic 1. Client and planner attitudes, values, biases and behavioral characteristics and the impact on financial planning

Topic 2. Principles of communication and counseling

Addendum Topic 1.

Client and planner attitudes, values, biases and behavioral characteristics and the impact on financial planning

- A. Cultural
- B. Family (e.g. biological; non-traditional)
- C. Emotional
- D. Life cycle and age
- E. Client's level of knowledge, experience, and expertise
- F. Risk tolerance
- G. Values-driven planning

Addendum Topic 2.

Principles of communication and counseling

- A. Types of structured communication
 - 1. Interviewing
 - 2. Counseling
 - 3. Advising
- B. Essentials in financial counseling
 - 1. Establishing structure
 - 2. Creating rapport
 - 3. Recognizing resistance
- C. Characteristics of effective counselors
 - 1. Unconditional positive regard
 - 2. Accurate empathy
 - 3. Genuineness and self-awareness
- D. Nonverbal behaviors
 - 1. Body positions, movements, and gestures
 - 2. Facial expressions and eye contact
 - 3. Voice tone and pitch
 - 4. Interpreting the meaning of nonverbal behaviors
- E. Attending and listening skills
 - 1. Physical attending
 - 2. Active listening
 - 3. Responding during active listening; leading responses
- F. Effective use of questions
 - 1. Appropriate types of questions
 - 2. Ineffective and counterproductive questioning techniques

Addendum Topics

- The FPA has developed a Program in a Box entitled, “*Client Trust and Communications*” that covers some of the CFP Board addendum sub-topics under Topic 2 of the Principles of Communication and Counseling. The FPA course includes a participant and a facilitator guide and takes approximately 3- 3 ½ hours to complete.

Sample Syllabus

- Conduct 15 3-hour sessions over ten weeks with classes alternating between one or two per week (weeks 2,4,6,8,10 would meet twice a week).
- Sessions 8 thru 10: Analyze cases using structured fact-driven cases with accompanying MCQ
- Assign unstructured cases after this. Assign same case to groups of 5/6 students if students do not select their own client case.
- Sessions 10-11: Cover the *Financial Planning Process and Practice Standards* in detail
- Sessions 12-13: Cover addendum topics
- Sessions 14-15: Present plans in written and oral format

Brainstorming Session

- Your thoughts on how to teach the development of financial plans
- How can programs meet the new requirement
- Program Directors experience with case studies
- Recommendations and suggestions for implementation