C. PRACTICE STANDARDS FOR THE FINANCIAL PLANNING PROCESS, 6. IMPLEMENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

1: INTERPRETING THE PRACTICE STANDARD FOR IMPLEMENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

Rick, a CFP® professional, has presented his Financial Planning recommendations to his Clients Mike and Sofia. He previously informed the Clients of his Material Conflicts of Interest, explained how he will manage the conflicts, and obtained the Clients' informed consent. His Financial Planning recommendations include obtaining additional term life insurance and reallocating their retirement savings to investment products that are designed to maximize their potential to meet long-term goals. Rick explains to his Clients that he implements recommendations relating to investment products, for which he charges an ongoing management fee. For the implementation of other recommendations, Rick communicates with his Clients their responsibility and the responsibilities of any third-party.

QUESTION:

What should Rick do next to comply with the Practice Standards for the Financial Planning Process?

RESPONSE OPTIONS:

A. **Instruct his clients to complete an online account application to begin implementing the recommendations.**

B. **Provide his clients with the historical track record of his investment recommendations to establish that he is competent to recommend investment products.**

C. **Discuss with his clients the basis for selecting an action, product, or service, and the timing and priority of implementing the action, product, or service.**

D. **Recommend an insurance agent from a referral network that provides Rick with referral compensation.**

Best Response: Response C is the best response. This case involves the Practices Standards for the Financial Planning Process, Implementing the Financial Planning Recommendations (Standard C.6).

The Practice Standards provide, in step 6, that a CFP® professional must establish with the Client whether the CFP® professional has implementation responsibilities. When the CFP® professional has implementation responsibilities, the CFP® professional must communicate to the Client the recommendation(s) being implemented and the responsibilities of the CFP® professional, the Client, and any third-party with respect to implementation.

A CFP® professional who has implementation responsibilities must identify and analyze actions, products, and services, designed to implement the recommendations. The CFP® professional must consider the basis for each selection, which must include:

i. How the action, product, or service is designed to implement the CFP® professional's recommendation; and

ii. The advantages and disadvantages of the action, product, or service relative to reasonably available alternatives.

A CFP® professional who has implementation responsibilities must recommend one or more actions, products, and services to the Client. The CFP® professional must discuss with the Client the basis for selecting an action, product, or service, the timing and priority of implementing the action, product, or service, and disclose and manage any Material Conflicts of Interest concerning the action, product, or service.

A CFP® professional who has implementation responsibilities must help the Client select and implement the actions, products, or services. The CFP® professional must discuss with the Client any Client selection that deviates from the actions, products, and services the CFP® professional recommended.

In this case, Rick has already disclosed his Material Conflicts of Interest and how he will manage those conflicts. Therefore, the next step is for Rick to discuss with his Clients the basis for selecting an action, product, or service, and the timing and priority of implementing the action, product, or service.

Response A is not the best response because Rick must first discuss with his Clients the basis for selecting an action, product, or service, and the timing and priority of implementing the action, product, or service. After those discussions, Rick may instruct the Clients to compete an online account application to begin implementing the recommendations.

Response B is not the best response because the Practice Standards does not require providing to a Client the CFP® professional's track record for investment recommendations. In fact, in isolation only showing past performance may be misleading.

Response D is not the best response because Rick is not required to provide the Clients with an insurance agent recommendation. However, when providing a recommendation, Rick must have a reasonable basis for the recommendation based on the agent's reputation, experience, and qualifications. Rick must also disclose to the Clients any arrangement by which Rick would receive any additional compensation. Rick should also check his firm's policies and procedures which could require that Rick provide to the Clients the names of at least several qualified insurance agents.

Relevant Standards and Definitions: Implementing the Financial Planning Recommendations (Standard C.6.).