CFP BOARD OF STANDARDS

CFP BOARD

COMPANION GUIDE

TO CFP BOARD'S ETHICS CE



2027-2028

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CFP BOARD

ROADMAP

TO THE CODE OF ETHICS & STANDARDS OF CONDUCT

EFFECTIVE DATE: OCTOBER 1, 2019

PURPOSE AND TABLE OF CONTENTS

This *Roadmap to the Code of Ethics and Standards of Conduct (Roadmap)* is a tool that CFP® professionals and their firms may use to develop a practical understanding of the revised *Code and Standards*. The *Roadmap* provides an overview of the structure and content of the *Code and Standards* and contains five guidance resources that CFP Board developed to assist CFP® professionals and their firms with implementing the *Code and Standards:* the (1) Financial Advice Engagements Disclosure Guide; (2) Financial Planning Engagements Disclosure Guide; (3) Practice Standards Reference Guide; (4) Financial Advice Engagements Compliance Guide; and (5) Financial Planning Engagements Compliance Guide.

THE *ROADMAP* IS ORGANIZED AS FOLLOWS:

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INTRODUCTION TO THE *CODE AND STANDARDS*

CFP Board's *Code of Ethics and Standards of Conduct* reflects the commitment that all CFP® professionals make to high standards of competency and ethics. The *Code of Ethics* applies at all times, and sets forth principles that guide the behavior of CFP® professionals, with elaboration provided in the *Standards* that follow. The cornerstone of the *Code and Standards* is a CFP® professional's duty to act as a fiduciary and, therefore, act in the best interests of the Client at all times when providing Financial Advice.

CODE OF ETHICS

A CFP® professional must:

- Act with honesty, integrity, competence, and diligence.
- Act in the client's best interests.
- Exercise due care.
- Avoid or disclose and manage conflicts of interest.
- Maintain the confidentiality and protect the privacy of client information.
- Act in a manner that reflects positively on the financial planning profession and CFP® certification.

DUTIES OF A CFP® PROFESSIONAL

The *Code and Standards* sets forth the duties that a CFP® professional owes to Clients, firms and subordinates, and CFP Board. Most duties apply at all times. Additional duties apply when a CFP® professional is providing Financial Advice and when a CFP® professional is providing Financial Advice that requires Financial Planning. The duties that apply at all times also apply when providing Financial Advice and when providing Financial Advice that requires Financial Planning. The duties that apply when providing Financial Advice also apply when providing Financial Advice that requires Financial Planning.

	To Clients	To Firms and Subordinates	To CFP Board
At All Times	• Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets	• Use Reasonable Care When Supervising • Comply with Lawful Objectives of CFP® Professional's Firm • Provide Notice of Public Discipline	• Refrain from Adverse Conduct • Reporting • Provide Narrative Statement • Cooperation • Compliance with *Terms and Conditions of Certification and Trademark License*
Financial Advice	• The Duties That Apply At All Times (see above) • Fiduciary Duty • Disclose and Manage Conflicts of Interest • Provide Information to a Client • Duties When Recommending, Engaging, and Working with Additional Persons		
Financial Planning	• The Duties That Apply When Providing Financial Advice (see above) • The Practice Standards for the Financial Planning Process • Information to a Client in Writing		

A CFP® Professional Has Duties That Apply:



THE FIDUCIARY DUTY

The cornerstone of the *Code and Standards* is the Fiduciary Duty. At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary and, therefore, act in the best interests of the Client.

What does it mean to act as a fiduciary and, therefore, act in the best interests of the Client? A CFP® professional must fulfill the following duties:

Fiduciary Duty = **Duty of Loyalty** + **Duty of Care** + **Duty to Follow Client Instructions**

Duty of Loyalty

A CFP® professional must:

1. Place the interests of the Client above the interests of the CFP® professional and the CFP® Professional's Firm;
2. Avoid Conflicts of Interest, or fully disclose Material Conflicts of Interest to the Client, obtain the Client's informed consent, and properly manage the conflict; and
3. Act without regard to the financial or other interests of the CFP® professional, the CFP® Professional's Firm, or any individual or entity other than the Client, which means that a CFP® professional acting under a Conflict of Interest continues to have a duty to act in the best interests of the Client and place the Client's interests above the CFP® professional's.

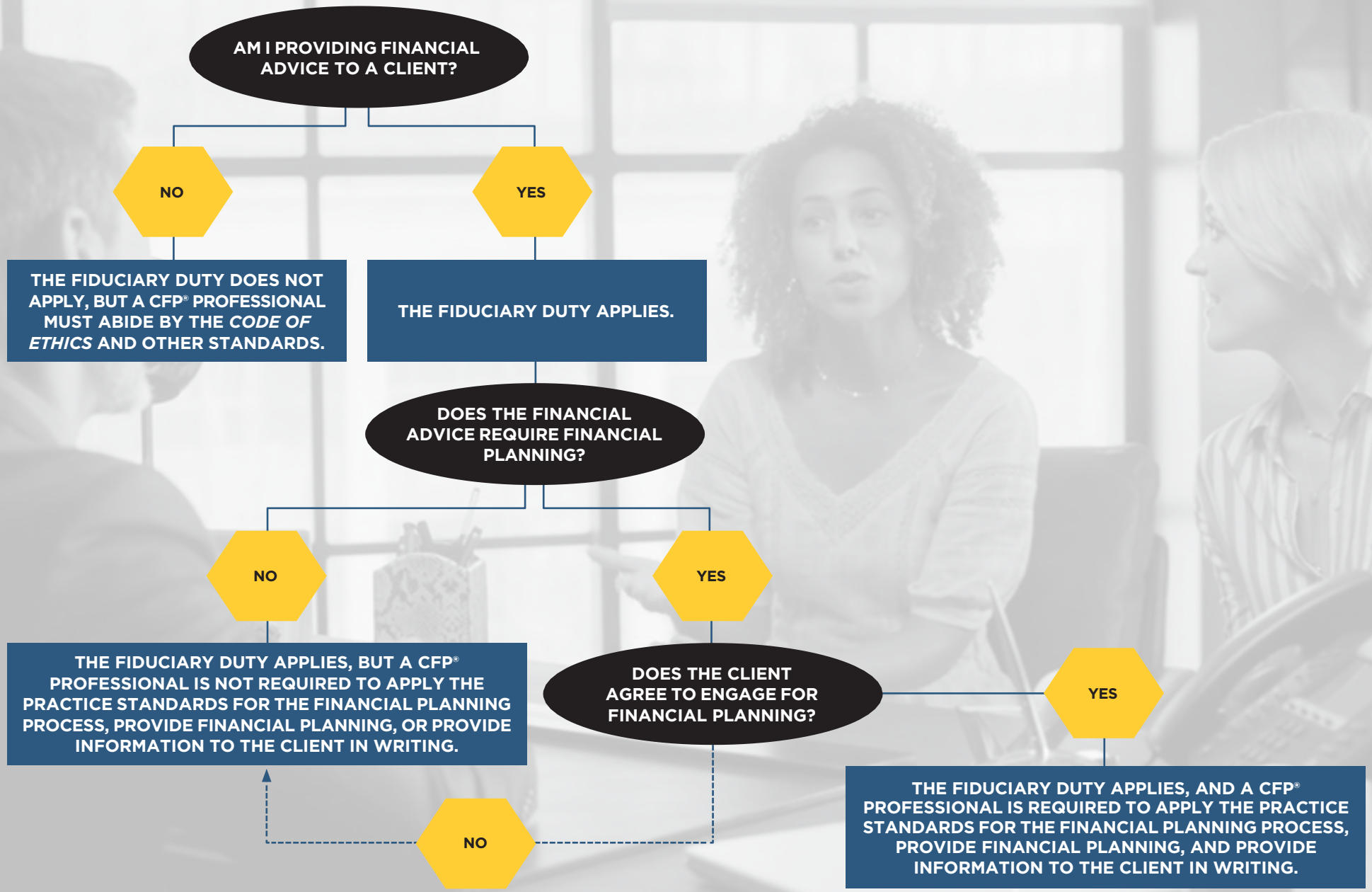
Duty of Care

A CFP® professional must act with the care, skill, prudence, and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances.

Duty to Follow Client Instructions

A CFP® professional must comply with the terms of the Client engagement and follow all directions of the Client that are reasonable and lawful.

THE FINANCIAL ADVICE FRAMEWORK



AM I PROVIDING FINANCIAL ADVICE?

WHAT IS FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action with respect to:
  - The development or implementation of a Financial Plan;
  - The value of or the advisability of investing in, purchasing, holding, gifting, or selling Financial Assets;
  - Investment policies or strategies, portfolio composition, the management of Financial Assets, or other financial matters; or
  - The selection and retention of other persons to provide financial or Professional Services to the Client; or
- The exercise of discretionary authority over the Financial Assets of a Client.

WHAT IS NOT FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would not reasonably be viewed as a recommendation;
- Responses to directed orders; and
- The following, if a reasonable CFP® professional would not view it as Financial Advice:
  - Marketing Materials;
  - General Financial Education; and
  - General Financial Communications.



The determination of whether Financial Advice has been provided is an objective rather than subjective inquiry.



The more individually tailored the communication is to the Client, the more likely the communication will be viewed as Financial Advice.



AM I PROVIDING FINANCIAL PLANNING?

If the answer to any of the following is **YES**, then this is a Financial Planning Engagement, and you must comply with the Practice Standards for the Financial Planning Process. If **NO**, then the engagement for Financial Advice does not require Financial Planning, and you are not required to comply with the Practice Standards for the Financial Planning Process.

Have I agreed to provide or have I provided Financial Planning?

☐ **YES** ☐ **NO**

Does the Financial Advice I agreed to provide require integration of relevant elements of the Client's personal and/or financial circumstances in order to act in the Client's best interests, taking into account the Integration Factors set forth to the right?

☐ **YES** ☐ **NO**

Does the Client have a reasonable basis to believe that I will provide or have provided Financial Planning?

☐ **YES** ☐ **NO**

Integration Factors:

- The number of relevant elements of the Client's personal and financial circumstances that the Financial Advice may affect;
- The portion and amount of the Client's Financial Assets that the Financial Advice may affect;
- The length of time the Client's personal and financial circumstances may be affected by the Financial Advice;
- The effect on the Client's overall exposure to risk if the Client implements the Financial Advice; and
- The barriers to modifying the actions taken to implement the Financial Advice.

What do you do if the Client doesn't agree to engage you for Financial Planning? Pick One.

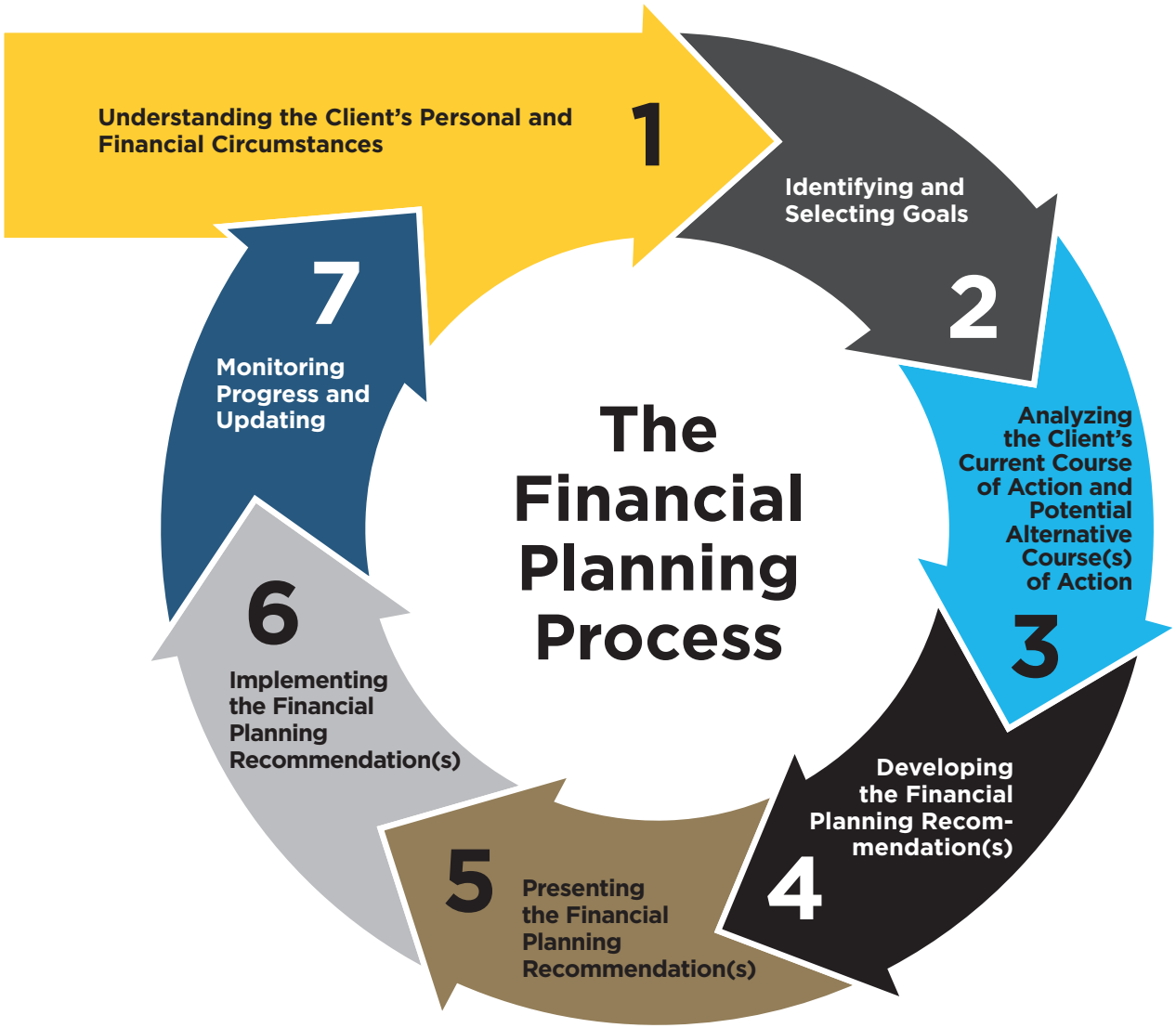
☐ Not enter into the Engagement; or

☐ Limit the Scope of Engagement to services that do not require application of the Practice Standards for the Financial Planning Process, and describe to the Client the services the Client requests that the CFP® professional will not be performing; or

☐ Provide the requested services after informing the Client how Financial Planning will benefit the Client and how the decision not to enter into a Financial Planning engagement may limit the Financial Advice; or

☐ Terminate the Engagement.

THE PRACTICE STANDARDS FOR THE FINANCIAL PLANNING PROCESS



When to Document:

A CFP® professional must act prudently in documenting information, as the facts and circumstances require, taking into account:

- The significance of the information;
- The need to preserve the information in writing;
- The obligation to act in the Client's best interest; and
- The Firm's policies and procedures.

Acceptable Documentation:

Options include using:

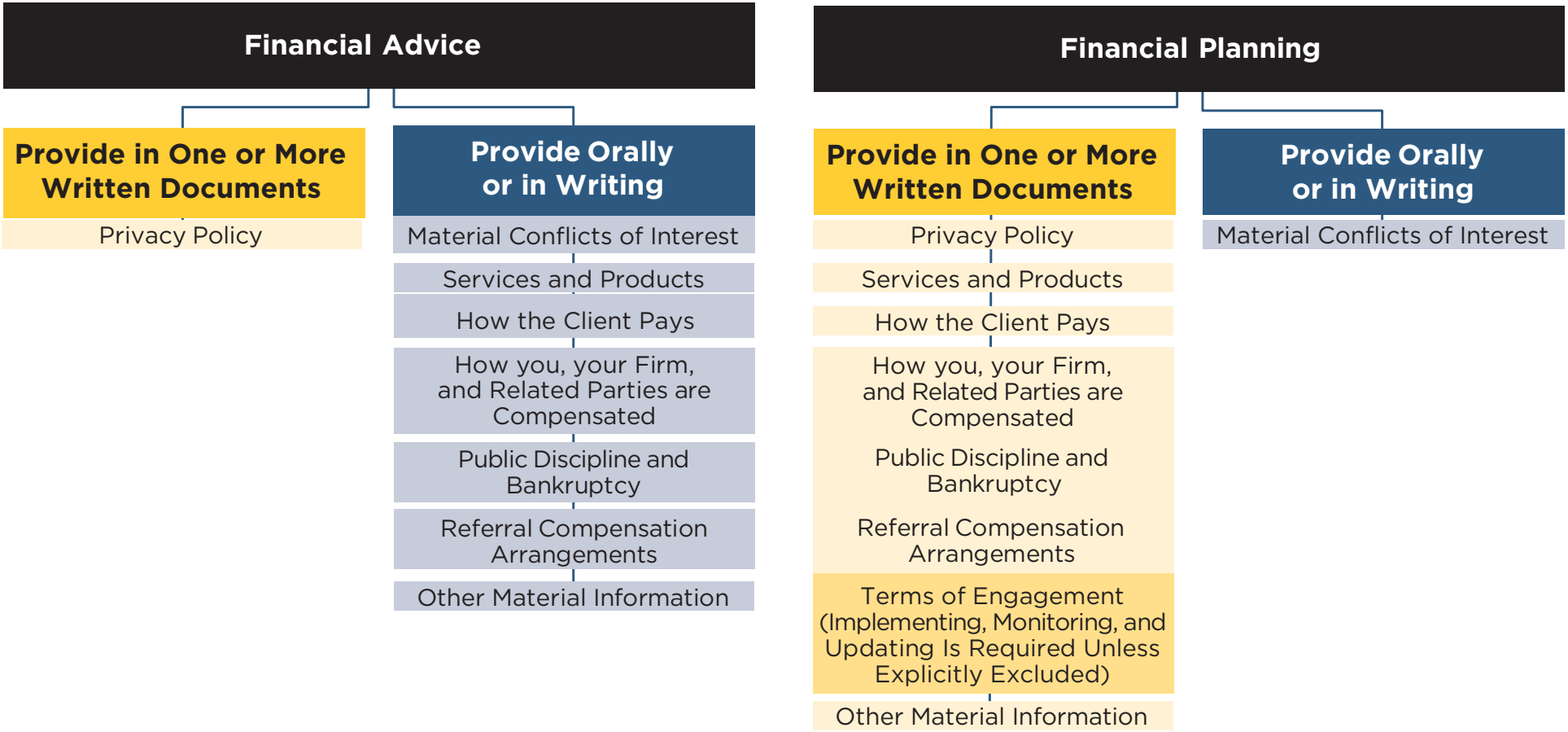
- CRM software;
- Handwritten notes; or
- Emails.

WHEN IN DOUBT, DOCUMENT

DUTY TO PROVIDE INFORMATION TO A CLIENT

A CFP® professional has a duty to provide information to a Client. Whether information may be provided orally or must be provided in writing depends upon whether the Financial Advice that is being provided requires Financial Planning.

CFP Board has prepared a **Financial Advice Engagements Disclosure Guide** and a **Financial Planning Engagements Disclosure Guide**. The Disclosure Guides describe in detail the Duty to Provide Information to a Client. Set forth below is a brief summary of the categories of information that must be shared with the Client, and whether the information must be provided orally or in writing. The requirement to provide information to a Client set forth in CFP Board's *Code and Standards* is in addition to any requirements that apply under applicable law.



CFP BOARD OF STANDARDS

CFP BOARD

GUIDE TO
PLANNING FOR AND MANAGING

DIMINISHED FINANCIAL CAPACITY IN CLIENTS



NOVEMBER 2026

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Fiduciary Duty | Duty of Loyalty | Duty of Care | Duty to Follow Client Instructions | Duty of Competence | Duty of Confidentiality | The Scope of Engagement in a Financial Planning Engagement

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CFP Board designed this guide to help a CFP® professional prepare a Client for the Client's potential diminished financial capacity and manage the CFP® professional's relationship with a Client if the Client shows signs of diminished financial capacity. The guide establishes two requirements for planning for a Client's diminished capacity that apply to Financial Planning engagements that include monitoring. The CFP Board Ethics CE program that will run from January 2027–December 2028 will also discuss these requirements. A CFP® professional will have a year to incorporate the requirements in their practice after attending that Ethics CE course.

1 INTRODUCTION

Unusual spending. Paying the same bill multiple times, while forgetting to pay others. Being unable to balance a checkbook or track basic household finances. The signs of diminished capacity often show up first in a person's financial life.

That puts CFP® professionals on the frontline when a Client begins to exhibit diminished capacity. Age isn't the only culprit; accidents or illness can diminish a Client's capacity at any age. Being prepared to help Clients plan ahead for that possibility is critical.

A Client with diminished financial capacity may expose themselves to financial risks or become more vulnerable to financial exploitation. Accordingly, planning for a Client's diminished financial capacity represents one of the most crucial yet frequently overlooked aspects of Financial Planning. This important topic calls for timely conversations, because in the absence of advance preparation, both the Client and the CFP® professional may be left with fewer (or even no) good options when signs of diminished capacity emerge.

This guide to planning for and managing diminished financial capacity in Clients applies the *Code of Ethics and Standards of Conduct (Code and Standards)* to a Financial Planning engagement that includes monitoring responsibilities. What the *Code and Standards* requires for Financial Advice engagements that do not require Financial Planning will depend upon the facts and circumstances and the Financial Advice being provided.

What is 'Diminished Financial Capacity'?

This guide uses the term "diminished financial capacity" (or "diminished capacity") to describe a decline, which may be temporary or permanent, in a person's ability to make and/or to understand the consequences of financial decisions. The term "decision-making limitations" is used in some other contexts to describe a similar concept. Diminished financial capacity does not necessarily mean that the Client is unable (or legally incompetent) to make any financial decisions or handle any of their own financial affairs. Depending on the degree of diminished financial capacity, a Client might be able to make some financial decisions and not others. This is because a Client may be able to grasp some financial concepts but not more complex ones, or may be able to evaluate the short-term consequences of some financial decisions but not the long-term consequences. In other words, diminished financial capacity is not always "all or nothing."



Key Points:

1 Diminished capacity can arise suddenly and affect a Client at any age, so a CFP® professional needs to address this issue early on

Regardless of the Client's age or health status, unexpected events can cause a temporary or permanent impairment. Planning for diminished financial capacity provides transparency and protection for both Clients and their families. A CFP® professional who has not planned for a Client's potential diminished capacity will have missed opportunities to mitigate the risk of harm to the Client in the event that diminished capacity develops. Normalizing conversations about diminished financial capacity early on can help make it easier to discuss the issue with the Client when signs of diminished capacity later emerge. If the Client is not able to make decisions, then proper planning will enable a CFP® professional to enlist the assistance of others. (See Key Point #3.)

2 The Duty of Confidentiality has no built-in exception for a Client with diminished financial capacity

A CFP® professional must keep confidential and may not disclose any non-public personal information about any Client, unless an exception applies (such as the Client authorizing the disclosure). Thus, if the Client has not provided consent in advance — at a time when he or she had capacity to do so — then a CFP® professional generally will not be able to discuss concerns about diminished capacity with someone the Client trusts (such as family or other loved ones).

The Risks of Unaddressed Diminished Financial Capacity

Diminished capacity is associated with financial risks. When a person's ability to make financial decisions and understand the consequences of those decisions is limited, they may engage in risky financial behavior, including erratic bill payments and poor financial decisions. Diminished capacity also can increase an individual's susceptibility to scams and other forms of financial exploitation. The negative consequences can be significant, including low credit scores, foreclosure or asset depletion.

3 Two ways a CFP® professional must prepare for a Client's diminished financial capacity

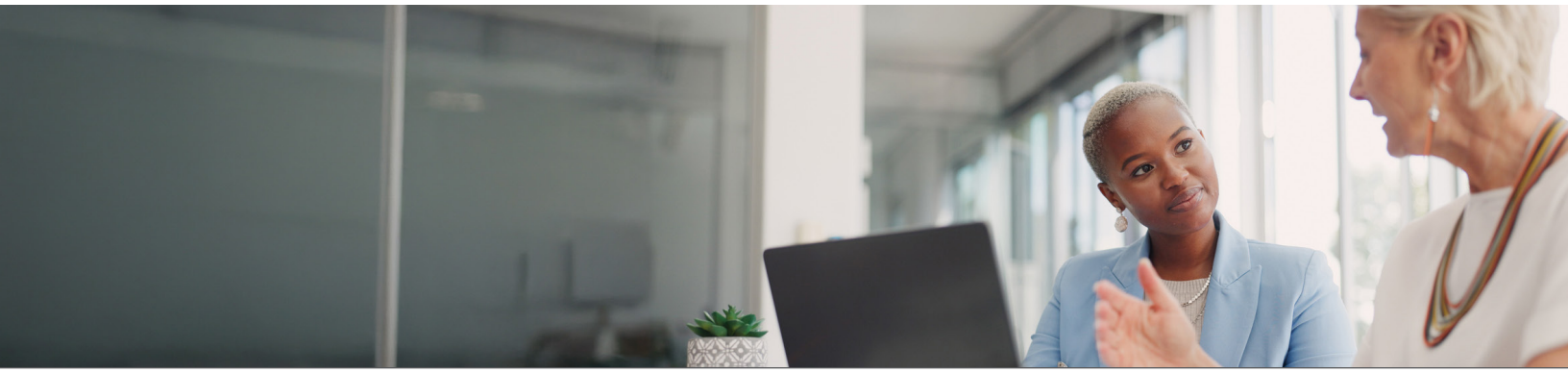
Planning for diminished capacity is important for every Client, regardless of age or health. The Duty of Competence as well as the Duty of Care require a prudent CFP® professional who is responsible for providing Financial Planning that includes monitoring to take two actions to address the risk of a Client's future diminished financial capacity. Both actions enable the CFP® professional to involve others who can help the CFP® professional act in the best interests of the Client if the Client later shows signs of diminished capacity. More specifically, a CFP® professional must within a reasonable time of beginning the Financial Planning engagement that includes monitoring:

- Provide the Client with the opportunity to designate one or more trusted contacts with whom the CFP® professional is authorized to share information when concerns arise.
- Recommend that the Client develop an appropriate estate plan, which may include, if appropriate, creating a durable financial power of attorney.

As discussed in further detail below, the CFP Board Ethics CE program that will run from January 2027–December 2028 will include a discussion of these requirements. A CFP® professional will have a year to incorporate the requirements in their practice after attending that Ethics CE course.

4 Fulfilling the scope of engagement once a Client shows signs of diminished capacity

Once a Client shows signs of diminished financial capacity, a CFP® professional should involve others authorized by the Client, including trusted contacts and the Client's financial agent under a power of attorney (if there is one). A CFP® professional also should adopt communication practices that facilitate the Client's understanding, such as presenting information in different formats or over a series of sessions. Lastly, a CFP® professional should evaluate if protective actions are appropriate to safeguard the Client's financial interests, tailored to the Client's current level of capacity. This could include, for example, working with the Client to implement automatic bill pay or third-party bill-paying services or designating a third party to receive lapse notices for an insurance policy.



2 PLANNING FOR DIMINISHED FINANCIAL CAPACITY BEFORE ISSUES OCCUR

A CFP® professional is better equipped to serve a Client with diminished financial capacity if the CFP® professional prepares the Client well in advance. Otherwise, and depending on the severity of the diminished financial capacity, a CFP® professional's options become more limited.

Some aspects of diminished financial capacity planning should be introduced at the outset of every Financial Planning engagement, regardless of the Client's age or health status. Unexpected events such as accidents or sudden illness can affect anyone at any time, and they can cause a temporary or permanent inability to make financial decisions. Normalizing conversations about diminished financial capacity eases future discussions if signs of diminished capacity begin to occur. Brief conversations can start early in the engagement and continue throughout the course of the Financial Planning relationship.

Diminished capacity can affect anyone at any time — it can arise from age, accident, illness or other physical and medical conditions.
Planning for diminished capacity is important for all Clients, whatever their age or health.

The Duty of Competence as well as the Duty of Care are implicated when it comes to planning for a Client's diminished financial capacity. Because diminished financial capacity can occur with any Client at any stage in life and some of the earliest signs of diminished capacity occur in financial matters, a CFP® professional providing Financial Planning that includes monitoring must understand the initial steps of preparing for diminished financial capacity in order to provide such services with competence. Put another way, in acting with care, skill, prudence and diligence, a prudent CFP® professional providing Financial Planning that includes monitoring would take reasonable steps to enable the CFP® professional to involve others who can help the CFP® professional act in the best interests of the Client when the Client has diminished financial capacity.

Thus, when providing Financial Planning that includes monitoring, a CFP® professional must within a reasonable time of beginning the engagement:

1. Provide the Client with the opportunity to designate one or more trusted contacts with whom the CFP® professional is authorized to share information when concerns arise; and
2. Recommend that the Client develop an appropriate estate plan, which may include, if appropriate, creating a durable power of attorney.

Additionally, the CFP® professional should consider discussing with the Client the financial issues that occur with aging and illness and begin documenting the Client's wishes around these topics.

1 Designation of 'Trusted Contact(s)' for the Client

Under the Duty of Confidentiality, a CFP® professional would be able to reach out to a person who the Client trusts (such as family or other loved ones) only if the Client provided consent when the Client had capacity (or another exception to the Duty of Confidentiality applies). Accordingly, in the course of providing Financial Planning that includes monitoring, a CFP® professional must give the Client the opportunity to provide the name and contact information of one or more trusted contacts. A trusted contact is someone who the CFP® professional is authorized to contact if there are concerns about the Client's financial capacity or if there is potential financial exploitation. For example, a CFP® professional could consider a process that provides an opportunity for the Client to designate trusted contact(s) alongside giving the Client the CFP® professional's privacy policy. If the Client declines to designate a trusted contact, the CFP® professional should document the Client's decision.

A CFP® professional must provide all clients, including young adult clients, with the opportunity to designate trusted contacts. While less common among young adults, accidents, mental health crises or other sudden medical events can temporarily impair their ability to manage finances or make them more vulnerable to financial exploitation. Many young people will designate their parents as the trusted contacts, since they may be more likely to recognize unusual behavior or assist during emergencies. The CFP® professional should make sure the Client is comfortable sharing information with the parents or other chosen trusted contacts and understands what authority the trusted contact does — and does not — have.

Brokerage firms, including firms that a CFP® professional might use to custody Client assets, are required by FINRA Rule 4512 to make reasonable efforts to obtain the name and contact information for a trusted contact person. If a custodian's trusted contact form does not itself already authorize a CFP® professional or their Firm to disclose information to a trusted contact, then the CFP® professional, in the course of providing Financial Planning that includes monitoring also must independently provide an opportunity for the Client to designate trusted contacts. Separate consent will allow the CFP® professional to reach out to the trusted contacts to discuss any concerns the CFP® professional has about the Client's well-being. If the Client does not establish trusted contacts, then the CFP® professional will be in a difficult situation if the Client later shows signs of diminished capacity.

Exceptions to the Duty of Confidentiality

Besides the Client's consent, other exceptions to the Duty of Confidentiality may allow a CFP® professional to raise concerns to others about the Client's potential diminished capacity or financial exploitation. These include disclosure:

- To a CFP® Professional's Firm or other persons with whom the CFP® professional is providing services to or for the Client, when necessary to perform those services.
- To a person acting in a representative capacity on behalf of the Client.

Thus, depending on the facts and circumstances, the CFP® professional may be able to reach out to the Client's estate planning attorney, accountant or another professional engaged by the Client or the Client's agent under a power of attorney.



PRACTICE TIPS

- A CFP® professional should provide the Client with the opportunity to designate **multiple trusted contacts**, even if the form used only requests one. If the Client identifies multiple people as trusted contacts, then the CFP® professional will have choices if one of the trusted contacts (or an agent who is also a trusted contact) is potentially causing the client harm or is deceased or otherwise cannot be reached.
- A CFP® professional should also periodically provide the Client with the opportunity to **review and update** their trusted contact(s). The contact information of a trusted contact might change. Or the Client's life circumstances might change over time, making a different person more appropriate as a trusted contact.
- Although a **spouse may be designated as a trusted contact, it may be advisable for a Client to choose a different person.** Spouses may face capacity challenges at the same time, making the trusted contact designation less useful. Also, it may be preferable if the trusted contact is someone who is more likely to be reachable in the event both spouses are traveling together or experiencing the same emergency situation.

What a Trusted Contact Can and Can't Do

- ✓ Can **confirm** the Client's contact information or health status
- ✓ Can **serve as a resource** to notify about possible financial exploitation
- ✓ Can **clarify account status** in the case of unusual or suspicious activity
- ✓ Can assist in **locating the Client** if the firm cannot reach them
- ✗ Can't make decisions on behalf of the Client (unless the trusted contact has also been appointed financial agent under a power of attorney)

Implementation

CFP Board recognizes that a CFP® professional may need time to implement processes (or work with their Firms to establish processes) to provide Clients with the opportunity to designate trusted contact(s) or to recommend that Clients develop an appropriate estate plan, if not already in place. The requirements to provide the Client with the opportunity to designate one or more trusted contacts and recommend that the Client develop an appropriate estate plan will be addressed in the CFP Board Ethics CE program that will run from January 2027–December 2028. A CFP® professional will have a year to incorporate the requirements in their practice after attending that Ethics CE course.

2 Power of Attorney

A trusted contact authorization does not provide the trusted contact with the authority to make decisions on the Client's behalf if the Client is incapacitated. Therefore, in addition to providing an opportunity to designate trusted contacts, a CFP® professional who is providing Financial Planning that includes monitoring also must recommend that the Client develop an appropriate estate plan, including, if appropriate, establishing a durable power of attorney for finances. Unlike a trusted contact, a durable power of attorney will give the designee (the "financial agent," sometimes also called the attorney in fact) the ability to make certain financial decisions on the Client's behalf. Having the financial agent listed on the trusted contact form helps define roles, so a CFP® professional can take steps quickly if issues with capacity arise.

An attorney can tailor a durable power of attorney to the Client's wishes concerning the amount of authority conferred and considerations for appointing a successor agent. Because power-of-attorney requirements and practice vary significantly from state to state, the Client should work closely with the attorney so that the document is properly drafted, legally valid, tailored to comply with the specific laws of the relevant jurisdiction and achieves the Client's goals.

If a Client declines to develop an estate plan, then the CFP® professional should document the Client's decision. Likewise, if the CFP® professional will not be providing advice regarding estate planning — because, for example, the development of an estate plan is being handled by other professionals retained by the Client — then the Client and the CFP® professional should agree on, and document, that limitation regarding the scope of engagement.

Referring the Client to an Attorney

When a CFP® professional recommends that a Client retain another person to provide Professional Services, the CFP® professional must comply with the Duties When Recommending, Engaging, and Working With Additional Persons. This includes having a reasonable basis for the recommendation and disclosing to the Client any compensation arrangement in relation to the referral.

Trust-Related Considerations

A revocable trust also may be an important component of a Client's estate or incapacity planning. A Client often will serve as the initial trustee. If assets are properly titled and the trust agreement provides for a successor trustee's authority upon the Client's incapacity, then the trustee may be able to manage trust assets without the financial agent's involvement. A revocable trust does not provide authority over assets outside the trust and does not replace the Client's need to consider a financial power of attorney and health care planning documents.

A CFP® professional should, in coordination with the Client's attorney, identify any revocable trust as well as obtain relevant information, such as contact information of trustees. A CFP® professional also should consider recommending that a Client's financial agent serve as successor trustee. Having one person serve in both roles can minimize disagreements and ease administration. If the Client chooses to name different individuals, then the CFP® professional should advise the Client to consider whether those individuals have a consistent understanding regarding the Client's goals.

Basic Forms of Powers of Attorney

	Effective immediately?	Relationship to Client incapacity
General Power of Attorney	Yes	Dissolves upon incapacity
Durable Power of Attorney	Yes	Survives incapacity by the Client
Springing Power of Attorney	No; requires a triggering event	Lack of capacity could be the triggering event, but determining if incapacity has occurred can lead to costs, disputes and delays.

Healthcare decisions

In addition to a financial power of attorney, the Client may wish to execute a healthcare power of attorney, which designates an agent to make medical decisions on the Client's behalf. An advance directive (or "living will") has a different role from a healthcare power of attorney; it outlines the Client's preferences for medical treatment in specific situations or scenarios.

Financial and healthcare decisions can be distinct

The Client may want to appoint different individuals for financial decisions and healthcare decisions, considering their specific preferences and needs and their perception of an individual's relative ability to make appropriate decisions.

Practical Issues With a Springing Power of Attorney

A durable power of attorney is one that remains in effect even if the Client becomes incapacitated. A springing power of attorney, unlike a durable one, comes into effect only when a triggering event such as incapacity occurs. While conditioning the effectiveness of a power of attorney on a triggering event could give the Client a greater sense of control, a CFP® professional should inform the Client (in collaboration with the Client's attorney) that a springing power of attorney can delay the agent's ability to act if the triggering event of incapacity has not clearly occurred. Reasonable people may disagree about this, and the issue may lead to conflict among family members and even with the Client.

A Client might ask a CFP® professional to serve as financial agent under a power of attorney for any number of reasons. For example, a "solo ager" might not be able to identify a family member or close personal friend who may serve as financial agent. A CFP® professional's service as a financial agent for a Client will often create Conflicts of Interest that are material as well as challenging to fully disclose and manage in the best interests of the Client. Therefore, CFP Board recommends that a CFP® professional generally avoid serving as a Client's financial agent. Instead, a CFP® professional should help the Client explore alternatives, such as a corporate or professional fiduciary or a bank trust department.



Firm Policies and Procedures Regarding Serving as a Power of Attorney or Trustee

Firms often have policies and procedures that govern whether and how professionals providing services on behalf of the firm may serve as a power of attorney or trustee for a Client. These policies may set forth approval or notification requirements and other limitations designed to ensure compliance with regulatory standards. For example, FINRA Rule 3241 requires registered persons to provide written notice to their firms and obtain permission before being named a beneficiary, executor or trustee, or serving as a power of attorney or holding a similar position of trust for or on behalf of a customer (a Client). Additionally, when an employee of a registered investment adviser has authority under a power of attorney to withdraw client funds, the firm will be deemed to have custody of the Client's assets. Unless an exception applies, this will trigger the requirements of the Securities and Exchange Commission's Custody Rule, SEC Rule 206(4)-2. CFP Board intends to publish additional guidance on the ethical issues that arise when a CFP® professional serves in a fiduciary capacity for a Client, including as a financial agent under a power of attorney or as a trustee.



Special Considerations for Clients as They Approach Older Ages

Unless specifically excluded from the scope of engagement, Step 7 of the Practice Standards for the Financial Planning Process requires a CFP® professional providing Financial Planning to update the goals, recommendations or selection of actions, products or services (if circumstances warrant changes). At the appropriate time, before the Client develops signs of financial incapacity, a CFP® professional providing comprehensive Financial Planning services should have a discussion with the Client regarding the Client's goals for key life transitions that can have significant financial impact if not handled correctly. The discussion could include:

1 Help with finances

Diminished financial capacity often develops gradually. When a Client has capacity, they should maintain control of their finances as they see fit, while having a plan in place to protect their finances if their capacity declines. The plan can start with more frequent review of how the Client is managing their finances, then move to more direct assistance and finally to ceding complete control to their financial agent, as appropriate. For example, a CFP® professional might assist the Client in setting up account alerts, e-billing and automatic bill payments to ensure timely notification of transactions and minimize the risk of missed payments and/or unopened mail.

2 Healthcare decisions

Once signs of diminished capacity occur, there is a risk that a Client will receive medical treatment that is inconsistent with the Client's preferences and goals. By addressing and documenting — via a healthcare power of attorney and/or advance directive — quality-of-life goals, long-term care and end-of-life wishes while the Client is well, a CFP® professional can increase the likelihood that the Client will receive the care that they desire. Moreover, according to a study by Kaiser Family Foundation, medical debt affects one in five adults age 65 or older. Therefore, avoiding unnecessary or unwanted healthcare expenses can also help a Client maintain financial security when facing serious illness and end-of-life issues.

Box continued on next page...

3 Transitioning or transforming living spaces

A CFP® professional can help a Client plan for living arrangements that will accommodate their needs as they age, whether by investing assets in modifications that make their home better suited for aging or finding another residence. A CFP® professional can also help the Client plan financially for alternatives, such as assisted living, if the Client no longer can age in place safely. By having a housing plan in place before diminished capacity or serious illness occurs, a Client will be able to allocate funding for safe and suitable housing and will not have to make a rushed decision (which often leads to poor choices).

4 Assessment of other potential financial costs

A CFP® professional should assess with the Client whether changes in capacity might result in changes in activities or lifestyle that could present new expenses. For example, it might be appropriate to discuss alternative transportation plans with the Client that they can implement if they decide to stop driving.

5 Intergenerational planning

As a Client's children are reaching the age of majority, a CFP® professional can, in collaboration with the Client, consider including the children in a conversation about how to transfer assets from one generation to the next while aligning with the Client's personal goals and values. The CFP® professional should also discuss the importance of adult children designating their own trusted contacts and establishing their own estate plans (which may include, if appropriate, executing a power of attorney).

When Is the Right Time to Discuss the Effects of Aging With Clients?

Although the exact timing of these discussions about aging can depend on the facts and circumstances, it is important to engage in them before the Client develops signs of diminished capacity. Some CFP® professionals raise aging-related considerations when Clients are in their late 50s or early 60s, or earlier for Clients with significant chronic disease or who desire to do so. Some aspects of these discussions may occur even earlier, such as considering whether and when to obtain long-term care insurance to reduce the risk of later ineligibility or higher premiums.

Conversation Starters

Raising the potential for diminished capacity with a Client can be uncomfortable. Possible ways to begin this discussion include:

A person's risk for financial mistakes, fraud and financial abuse increases with age. Having discussions about preventive measures long before issues occur can reduce the risk of these events. May we schedule a time for this discussion?

The ability to manage finances often begins to decline when people are in their 60s and the likelihood becomes much greater when a person is in their 70s. By preparing in advance for how you will get help with your finances, you can greatly increase your chance of financial security throughout your lifetime. Are you open to this type of planning?

Getting older comes with challenges, such as not being able to take care of finances. We would like to schedule a discussion about preventive measures we use to help protect our clients from financial fraud and their own financial mistakes as they age. Are you open to this conversation?

Many people want to remain independent for as long as possible when they age. Making decisions early about who can assist you and under what circumstances can help preserve that independence if challenges arise. Would you be open to discussing this kind of planning?

Unexpected health events can happen without much warning, even when someone is still active and capable. Having a plan in place ahead of time can make it easier for your wishes to be followed during a difficult period. May we schedule time to talk about this?

Conversation Starters

Families often face unnecessary stress when important financial and personal decisions have not been discussed in advance. Clarifying your preferences now can make future situations easier for the people closest to you. Would you be willing to have this conversation?

Planning ahead can help reduce the chance of needing to make important decisions during a crisis. Taking simple preventive steps now can provide more options and greater peace of mind later. Are you open to discussing these measures?

Many people have strong preferences about where they would like to live and how they would like to be cared for as they grow older. Putting plans in place early increases the likelihood that those preferences can be respected. May we set aside time to discuss this?

Meeting With Family Members and Other Trusted Contacts and Professionals

A CFP® professional should meet with the Client and their family or other trusted contacts and professionals, with the Client's consent. When the CFP® professional and others with an important role in the Client's life are in contact with each other, it is more likely that they will communicate at the outset of observing behavior that might indicate diminished capacity. This conversation also provides the opportunity to help the family or trusted contacts better understand the Client's investment philosophy and wishes with regard to finances and healthcare. In this meeting, the parties can discuss the process that the CFP® professional will follow if they are worried about the Client's well-being. Likewise, the CFP® professional can encourage family members, trusted contacts and other professionals working with the Client to reach out if they are concerned about the Client's behavior.

3 PROCESSES ONCE CLIENT CAPACITY IS IN QUESTION

A CFP® professional may become aware of a Client's diminished capacity in different ways.

A Client, family member, or third party may notify the CFP® professional that the Client may have diminished capacity. Alternatively, a CFP® professional providing Financial Planning may be in a better position than others in the Client's sphere to recognize a Client's diminished capacity.

Diminished capacity exists on a spectrum. It can arise from a variety of causes — ranging from age to accident and illness — and can affect a Client of any age. Financial capacity often declines before other functions, and the ability to understand financial concepts, assess consequences and make rational decisions may be affected. For example, a study published in JAMA Internal Medicine showed individuals later diagnosed with Alzheimer's disease and related dementias demonstrated signs of diminished capacity several years before a clinical diagnosis. Not every Client will exhibit diminished capacity in the same way.

CFP® professionals are not, and cannot be expected to be, expert diagnosticians. A CFP® professional should nevertheless be aware of and recognize warning signs, or "red flags," that may be potential signs of diminished financial capacity in a Client. These include:

- ☐ Difficulty managing financial calculations
- ☐ Confusion about previously understood concepts
- ☐ Missed appointments
- ☐ Uncharacteristic financial decisions, especially ones that the Client refuses to explain or elaborate upon
- ☐ Making decisions that are inconsistent with the Client's previously expressed goals and objectives or that are seemingly against the Client's best interests
- ☐ Erratic behavior, such as memory loss, difficulty speaking or communicating, disorientation or uncharacteristically unkempt appearance

The American Bar Association and American Psychological Association have prepared a handbook to aid attorneys in assessing diminished capacity in their clients, which may also be a useful supplemental resource to consult.



Warning Signs of Financial Exploitation

Because diminished financial capacity can make individuals more vulnerable to fraud and financial exploitation, a CFP® professional also should be alert to warning signs of financial exploitation. According to the U.S. Department of Justice's Elder Justice Initiative, these include:

- Sudden changes in bank accounts or banking practices, including an unexplained withdrawal of large sums of money by a person accompanying the elder.
- The inclusion of additional names on an elder's bank signature card.
- Unauthorized withdrawal of the elder's assets using the elder's ATM card.
- Abrupt changes in a will or other financial documents.
- Unexplained disappearance of assets or valuable possessions.
- Substandard care being provided or bills left unpaid despite the availability of adequate financial resources.
- Discovery of an elder's signature being forged for financial transactions or for the titles of his/her possessions.
- Sudden appearance of previously uninvolved relatives or other individuals claiming their rights to an elder's property or possessions.
- Unexplained sudden transfer of assets to a family member or someone outside the family.
- The provision of services that are not necessary.

Initial Steps When a Concern Regarding Diminished Capacity Emerges

When a CFP® professional identifies signs of possible diminished capacity, the CFP® professional should have a conversation with the Client to address the concern. Taking prompt action makes it more likely that the Client will still have capacity to participate in the decision-making process.

If the Client has identified trusted contacts and a financial agent in advance, then the CFP® professional should confer with those individuals, as well as the Client, to determine the next steps. Even if the Client has only occasional mishaps (i.e., only sporadically manifests diminished capacity), it is wise to place these individuals on notice that potential issues could be on the horizon.

Risks of Failing to Plan for Diminished Capacity

If the Client does not have at least a trusted contact form on file, then a CFP® professional is less able to help the Client mitigate the risk of harm from diminished financial capacity. Thus, a CFP® professional with a Client showing signs of diminished capacity must provide the Client with the opportunity to establish trusted contacts and authorize the CFP® professional to communicate with them, assuming that the CFP® professional still reasonably believes the Client has the capacity to do so. This will allow the CFP® professional to involve others to help the Client create a plan for dealing with potential incapacity.

If the Client is unable to or refuses to identify trusted contacts, then the CFP® professional has very limited options. The Duty of Confidentiality prevents the CFP® professional from sharing non-public information with members of the Client's family without the Client's consent. In this situation, the CFP® professional should carefully consider whether the engagement can continue in a manner consistent with the Duty of Care. The CFP® professional may discuss with the Client that their ability to act in the Client's best interests is limited unless appropriate measures are in place. If necessary, the CFP® professional may discuss with the Client whether to terminate the engagement. Any decision to terminate should be consistent with the Client's best interests, with reasonable notice and with consideration of whether termination could itself cause harm to the Client.

If the Client still refuses, then the Duty of Confidentiality does have an exception to notify appropriate law enforcement if the law permits or requires disclosure, which could include contacting Adult Protective Services or a similar government agency. (See "Reporting to a Governmental Authority" on page 19.) The Duty of Confidentiality also has an exception allowing disclosure to other persons with whom the CFP® professional is providing services to or for the Client, when necessary to perform those services. Depending on the circumstances, this may allow a CFP® professional to raise concerns about diminished capacity with the Client's attorney, accountant or another professional with whom the CFP® professional has worked to provide services to or for the Client. The CFP® professional could also consider the applicability of the exception allowing disclosure to persons "acting in a representative capacity" for the Client.

Best Practices for Managing the Engagement Once the Client Shows Signs of Diminished Capacity

A CFP® professional should adopt practices to manage the engagement with a Client showing signs of diminished capacity in a manner that the Client can reasonably understand. These practices can include:

- ☐ Scheduling meetings at the Client's optimal time of day and, assuming the Client has designated a financial agent, at a time when the financial agent can attend.
- ☐ Providing information in verbal, written and visual formats.
- ☐ Breaking complex concepts into smaller chunks.
- ☐ Creating meeting summaries to send to the Client and others designated by the Client to receive them.
- ☐ Increasing the frequency of meetings and check-ins with the Client.

A CFP® professional can also work with the Client (and the Client's financial agent) to evaluate protective actions that safeguard the Client's financial interests and assets, tailored to the Client's current level of capacity. These measures can include, for example:

- ☐ Having the Client freeze their credit and/or place a fraud alert at the major credit reporting agencies.
- ☐ Having the Client enroll in a service that monitors accounts for unusual transactions that could be indicative of fraud or identity theft.
- ☐ Implementing automatic bill pay or third-party bill-paying services.
- ☐ Working with the Client to designate a third party to receive notices of lapse or termination due to non-payment of premium with respect to an insurance policy, if this has not already been done.
- ☐ Providing the CFP® professional and/or the financial agent the authority to view transactions on the Client's checking or credit card account, if permitted by the firm. If this functionality is enabled, then the CFP® professional may wish to make clear that the scope of engagement does not include continuous monitoring for fraudulent or other concerning activity. Rather, the CFP® professional, in the course of otherwise performing a review of the Client's spending, may become aware of concerning transactions and bring them to the attention of the Client and/or trusted contact.
- ☐ Placing limits on the checking or credit card account to notify the CFP® professional or require authorization by the financial agent before the Client makes transactions over a certain amount.

Reporting to a Governmental Authority

Laws governing mandatory reporting vary from state to state. For example, the agency to which advisors must make reports can differ, as can the required deadlines and the threshold for raising a concern. A CFP® professional should periodically review and update this information for each state in which the CFP® professional has clients or does business. The U.S. Department of Justice's Elder Justice Initiative has prepared a state-by-state survey summarizing laws on mandatory reporting, as has the Financial Services Institute.

For example, the North American Securities Administrators Association's Model Act to Protect Vulnerable Adults from Financial Exploitation, which has been enacted in whole or in part by 44 states, requires specified individuals (often including registered representatives of a broker-dealer and investment adviser representatives) to report suspected exploitation of an older or vulnerable adult to the appropriate state authority.

Federal law (the Senior Safe Act) provides financial institutions and eligible employees with immunity from liability for reporting potential exploitation of a senior citizen to a covered government agency (whether or not the reporting is mandatory). To qualify for this immunity, employees must be trained by the firm on how to identify and report exploitative activity against seniors before making a report, and the report of suspected exploitation must be made in good faith and with reasonable care. The financial institution is required to maintain records regarding the content and completion of training.

Finally, a Client's diminished capacity is relevant for a CFP® professional's obligations under the Duty to Follow Client Instructions. A CFP® professional must comply with all objectives, policies, restrictions and other terms of the engagement and all reasonable and lawful directions of the Client. If a CFP® professional has information that would cause a prudent professional to determine that the Client's instruction is not in the Client's best interests, then the CFP® professional must inform the Client of that conclusion, the reasons therefore, and the possible consequences of taking that course of action. Moreover, depending on the degree of diminished financial capacity, an individual might be able to make some financial decisions and not others. A Client who lacks capacity to make a certain decision no longer is able to provide a Client instruction as to that matter.

Building a Comprehensive Team

A CFP® professional can help the Client assemble a team. Estate planning attorneys, accountants, insurance professionals and aging life care consultants may play important roles. The professionals with appropriate and relevant expertise will depend on the Client's specific circumstances and challenges. Assembling a team can be especially important for solo agers or those without close family.

Follow Firm Policies and Relevant Laws, Rules and Regulations

A CFP® professional must follow the CFP® Professional's Firm's policies and procedures (and any applicable laws, rules or regulations) concerning potential diminished financial capacity in a Client. Many firms provide training on recognizing red flags for diminished capacity (or undue influence and financial exploitation), the appropriate procedures for documenting and reporting suspected exploitation of vulnerable individuals and how to protect the privacy of Clients. This may include determining whether actions such as account freezes, contacting the custodian or filing a Suspicious Activity Report are necessary.

For example, FINRA Rule 2165 permits broker-dealers to place **temporary holds on fund disbursements** and other transactions if they have a reasonable belief that financial exploitation of a senior investor or vulnerable investor is occurring. Many states have also enacted laws allowing financial institutions to delay disbursing funds if they reasonably believe that disbursement would result in the financial exploitation of a senior or other vulnerable adult. Contemporaneously with placing such a hold, firms are often required to initiate an internal review of the facts and circumstances giving rise to the suspicion of potential financial exploitation and/or provide notification to the appropriate government authority. Another recently proposed rule, FINRA Rule 2166, would be applicable to investors of any age and allow brokerage firms to delay a transaction for up to 10 business days when they have a reasonable belief of fraud targeting a customer.

Contacting and coordinating with custodians can also be a useful step, as they may have their own processes or specialized teams for responding to suspected financial exploitation.

A Suspicious Activity Report is a document that financial institutions must file with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) to report transactions or activities that may be indicative of money laundering, fraud or other criminal conduct.

4 OVERVIEW OF RELEVANT CODE AND STANDARDS PROVISIONS

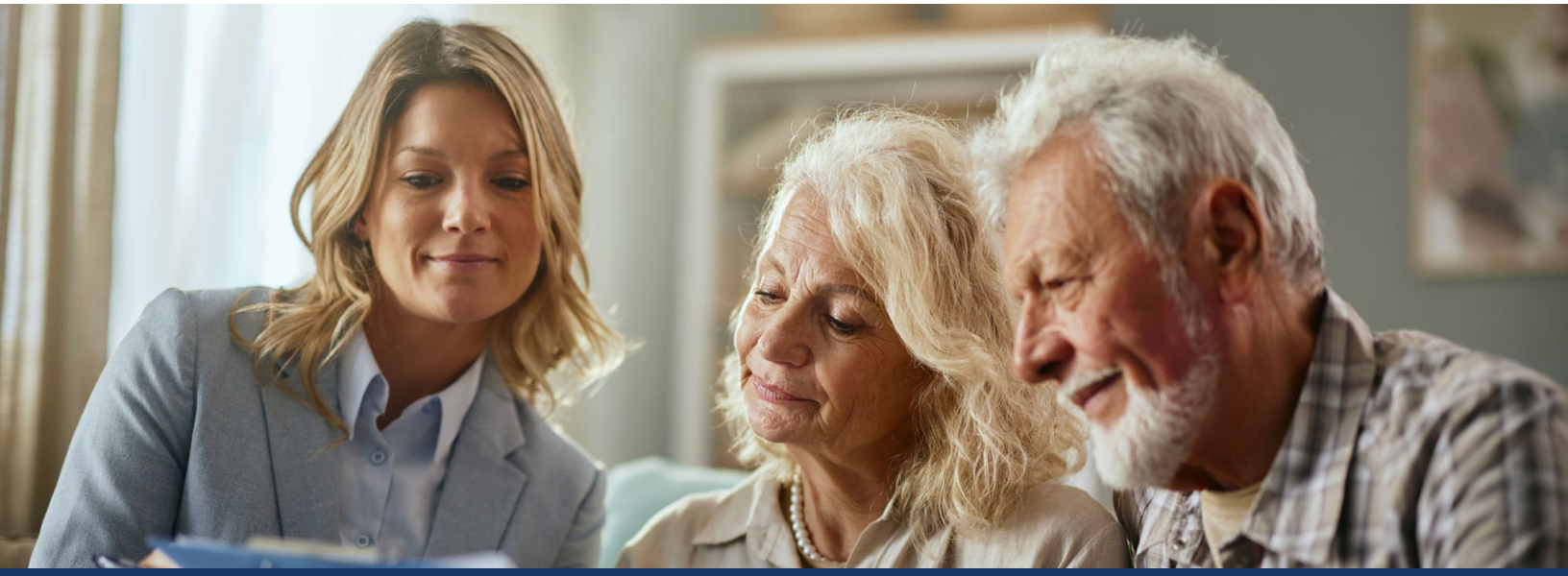
The duties of a CFP® professional discussed in this guide include the Fiduciary Duty (including the Duty of Loyalty, the Duty of Care and the Duty to Follow Client Instructions), the Duty of Confidentiality and the Practice Standards for the Financial Planning Process.

Fiduciary Duty (Standard A.1): At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and therefore, act in the best interests of the Client. This requires a CFP® professional to fulfill the Duty of Loyalty, the Duty of Care and the Duty to Follow Client Instructions.

- ***Duty of Loyalty (Standard A.1.a):*** A CFP® professional must avoid Conflicts of Interest, or fully disclose Material Conflicts of Interest to the Client, obtain the Client's informed consent and properly manage the conflict. In the context of planning for diminished financial capacity, a Conflict of Interest can arise if the Client requests that the CFP® professional act as the Client's agent pursuant to a Financial Power of Attorney or a Trustee. A conflict also can arise when the Client has appointed another individual as his or her agent, and that individual's directives to the CFP® professional are potentially not in the Client's best interests
- ***Duty of Care (Standard A.1.b):*** Under the Duty of Care, a CFP® professional must act with the care, skill, prudence and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances. When a CFP® professional provides or agrees to provide Financial Advice that requires Financial Planning, a CFP® professional must follow the Practice Standards for the Financial Planning Process (Practice Standards) set forth in Section C of the *Code and Standards*. The process that the Practice Standards provides for Financial Planning is a further articulation of the Duty of Care that applies to Financial Planning.
- ***Duty to Follow Client Instructions (Standard A.1.c):*** A CFP® professional must comply with all objectives, policies, restrictions and other terms of the engagement and all reasonable and lawful directions of the Client.



- **Duty of Competence (Standard A.3):** A CFP® professional must provide Professional Services with competence, which means with relevant knowledge and skill to apply that knowledge. When the CFP® professional is not sufficiently competent in a particular area to provide the Professional Services required under the engagement, the CFP® professional must gain competence, obtain the assistance of a competent professional, limit or terminate the engagement and/or refer the Client to a competent professional.
- **Duty of Confidentiality (Standard A.9):** A CFP® professional must keep confidential and may not disclose any non-public personal information about any Client, subject to limited exceptions, including (among others):
  - Disclosure to others with the Client's consent, so long as the Client has not withdrawn the consent.
  - Disclosure to law enforcement authorities concerning suspected unlawful activities, to the extent permitted by the law. There are laws that permit (or may even require) disclosure to authorities for suspected elder abuse or harm to a vulnerable client. (See "Reporting to a Governmental Authority" on page 19.)



The Scope of Engagement in a Financial Planning Engagement

When providing Financial Planning in accordance with the Practice Standards for Financial Planning, a CFP® professional must, among other things, provide the Client with the terms of the engagement in writing, including the scope of engagement and any limitations. A CFP® professional is responsible for implementing, monitoring and updating Financial Planning recommendation(s) unless specifically excluded from the scope of engagement. When the CFP® professional has responsibilities for monitoring and updating, the CFP® professional must communicate to the Client, among other things, which actions, products and services are and are not subject to the CFP® professional's monitoring responsibility and how and when the CFP® professional will monitor the actions, products and services.

5 CONCLUSION

Preparing for and managing diminished capacity is both a challenge and an opportunity for a CFP® professional to demonstrate extraordinary value for Clients of all ages and at every stage of life. Through careful planning, sensitive communication and principled action, a CFP® professional can help Clients continue to align their financial lives with their values and wishes.

PRACTICE TIP: Documentation

In complying with the Practice Standards for Financial Planning, a CFP® professional must act prudently in documenting information, as the facts and circumstances require, taking into account the significance of the information, the need to preserve the information in writing, the obligation to act in the Client's best interests, and the CFP® Professional's Firm's policies and procedures.

Because the information is likely to be of significant importance, and diminished capacity by its nature makes reliance on recollections of oral conversations problematic, a CFP® professional should maintain thorough records of advance plans made with Clients, observations of diminished capacity, consultations with the Client's trusted contacts and other professionals, and significant actions taken or decisions made, including whether they were authorized by the Client directly or by the Client's authorized agent.



CFP BOARD

DUTY TO REPORT INFORMATION TO CFP BOARD AND DUTY TO COOPERATE WITH CFP BOARD INVESTIGATIONS

CODE OF ETHICS AND STANDARDS OF CONDUCT

CFP Board's new *Code of Ethics and Standards of Conduct* expands a CFP® professional's Duty to Report information to CFP Board and Duty to Cooperate with CFP Board investigations. These duties are critical features of CFP® certification that enable CFP Board to uphold the high standards of competency and ethics set forth in the *Code and Standards* and maintain the integrity of the CFP® certification marks.

DUTY TO REPORT

The Duty to Report information to CFP Board applies both to the initiation and the conclusion of the reportable matter that concerns a CFP® professional's conduct, as set forth below. A CFP® professional must provide written notice to CFP Board within thirty (30) calendar days of both the initiation and conclusion of the reportable matter, and include a narrative statement that accurately and completely describes the material facts and the outcome or status of the reportable matter. CFP Board has established an online reporting form that is located at CFP.net/ethics/reporting. Thereafter, a CFP® professional also must complete the CFP Board Ethics Declaration when renewing his or her certification. A CFP® professional may seek guidance on the Duty to Report by contacting compliance@cfpboard.org.

Bolded terms used below are defined in the attached Appendix.

General Category	Standard E.3. of the *Code and Standards*: The Duty to Report Applies When the CFP® Professional, or an Entity Over Which the CFP® professional Was a Control Person, Has:
Felonies & Misdemeanors	Been charged with, convicted of, or admitted into a program that defers or withholds the entry of a judgment or conviction for, a **Felony** or **Relevant Misdemeanor**.
Initiation of Regulatory Investigations/Actions	Been named as a subject of, or whose conduct is mentioned adversely in, a **Regulatory Investigation** or **Regulatory Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**.
Findings in Regulatory Action	Had conduct mentioned adversely in a **Finding** in a **Regulatory Action** involving failure to comply with the laws, rules, or regulations governing **Professional Services** (except a **Regulatory Action** involving a **Minor Rule Violation** in a **Regulatory Action** brought by a self-regulatory organization).
Initiation of a Lawsuit or Arbitration Alleging Professional Misconduct	Had conduct mentioned adversely in a **Civil Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**.
Resolutions of Lawsuit or Arbitration Alleging Professional Misconduct	Become aware of an adverse arbitration award or civil judgment, or a settlement agreement, in a **Civil Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**, where the conduct of the CFP® professional, or an entity over which the CFP® professional was a **Control Person**, was mentioned adversely, other than a settlement for an amount less than $15,000.
Initiation of Lawsuit or Arbitration Alleging Dishonest Conduct	Had conduct mentioned adversely in a **Civil Action** alleging fraud, theft, misrepresentation, or other dishonest conduct.
Findings of Dishonest Conduct	Been the subject of a **Finding** of fraud, theft, misrepresentation, or other dishonest conduct in a **Regulatory Action** or **Civil Action**.
Adverse Award or Judgment	Become aware of an adverse arbitration award or civil judgment, or a settlement agreement in a **Civil Action** alleging fraud, theft, misrepresentation, or other dishonest conduct, where the conduct of the CFP® professional, or an entity over which the CFP® professional was a **Control Person**, was mentioned adversely.

General Category	Standard E.3. of the *Code and Standards*: The Duty to Report Applies When the CFP® Professional, or an Entity Over Which the CFP® professional Was a Control Person, Has:
Adverse impact on License, Certification or Membership	Had a professional license, certification, or membership suspended, revoked, or materially restricted because of a violation of rules or standards of conduct.
Termination	Been terminated for cause from employment or permitted to resign in lieu of termination when the cause of the termination or resignation involved allegations of dishonesty, unethical conduct, or compliance failures.
Customer Complaint	Been named as the subject of, or been identified as the broker/adviser of record in, any written, customer-initiated complaint that alleged the CFP® professional was involved in: i. Forgery, theft, misappropriation, or conversion of **Financial Assets**; ii. Sales practice violations and contained a claim for compensation of $5,000 or more; or iii. Sales practice violations and settled for an amount of $15,000 or more.
Bankruptcy	Filed for or been the subject of a personal bankruptcy or business bankruptcy where the CFP® professional was a **Control Person**.
Federal Tax Lien	Received notice of a federal tax lien on property owned by the CFP® professional.
Non- Federal Tax Lien, Judgment Lien or Civil Judgment	Failed to satisfy a non-federal tax lien, judgment lien, or civil judgment within one year of its date of entry, unless payment arrangements have been agreed upon by all parties.

DUTY TO COOPERATE

The *Code and Standards* (Standard E.5.) also expands upon a CFP® professional's Duty to Cooperate. A CFP® professional may not make false or misleading representations to CFP Board or obstruct CFP Board in the performance of its duties. A CFP® professional also must cooperate fully with CFP Board's requests, investigations, disciplinary proceedings, and disciplinary decisions. As described more fully in CFP Board's *Procedural Rules* (Article 1.3), cooperation includes providing documents and information, admitting or denying facts, appearing for oral examination, and using reasonable efforts to obtain documents, information, and witness appearances from third parties.

IMPORTANCE OF SATISFYING THE DUTY TO REPORT AND THE DUTY TO COOPERATE

The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct and uphold the high standards of competency and ethics set forth in the *Code and Standards*. Not every reportable matter will result in an investigation or a finding that a CFP® professional has violated the *Code and Standards*. However, a CFP® professional's failure to report the required information to CFP Board constitutes a violation of the *Code and Standards*, even if the matter that the CFP® professional was required to report does not reveal misconduct. A failure to comply with the Duty to Cooperate also constitutes a violation of the *Code and Standards* and may give rise to an adverse inference against the CFP® professional in an enforcement proceeding that presumes the CFP® professional would have provided the documents or information if they were not unfavorable to the CFP® professional.

APPENDIX: RELEVANT DEFINITIONS

Civil Action:	A lawsuit or arbitration.
Control:	The power, directly or indirectly, to direct the management or policies of the entity at the relevant time, through ownership, by contract, or otherwise.
Control Person:	A person who has Control.
Financial Assets:	Securities, insurance products, real estate, bank instruments, commodities contracts, derivative contracts, collectibles, or other financial products.
Finding:	A finding includes an adverse final action and a consent decree in which the finding is neither admitted nor denied, but does not include a deficiency letter, examination report, memorandum of understanding, or similar informal resolution of a matter.
Felony:	A felony offense, or for jurisdictions that do not differentiate between a felony and a misdemeanor, an offense punishable by a sentence of at least one-year imprisonment or a fine of at least $1,000.
Material:	Information is material when a reasonable Client or prospective Client would consider the information important in making a decision.
Minor Rule Violation:	A violation of a self-regulatory organization rule designated as a minor rule violation under a plan approved by the U.S. Securities and Exchange Commission. A rule violation may be designated as "minor" under a plan if the sanction imposed consists of a fine of $2,500 or less, and if the sanctioned person does not contest the fine.
Professional Services:	Financial Advice and related activities and services that are offered or provided, including, but not limited to, Financial Planning, legal, accounting, or business planning services.
Regulatory Action:	An action initiated by a federal, state, local, or foreign governmental agency, self-regulatory organization, or other regulatory authority.
Regulatory Investigation:	An investigation initiated by a federal, state, local, or foreign governmental agency, self-regulatory organization, or other regulatory authority. A Regulatory Investigation does not include preliminary or routine regulatory inquiries or requests for information, deficiency letters, "blue sheet" requests or other trading questionnaires, or examinations.
Relevant Misdemeanor:	A criminal offense, that is not a Felony, for conduct involving fraud, theft, misrepresentation, other dishonest conduct, crimes of moral turpitude, violence, or a second (or more) alcohol and/or drug-related offense.

CFP BOARD

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

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CFP BOARD

GUIDE TO SATISFYING THE DUTY OF CARE

WHEN PROVIDING FINANCIAL ADVICE THAT DOES NOT REQUIRE FINANCIAL PLANNING

January 2022

GUIDE TO SATISFYING THE DUTY OF CARE

A cornerstone of the *Code of Ethics and Standards of Conduct* (*Code and Standards*) is the Fiduciary Duty that applies whenever a CFP® professional is providing Financial Advice to a Client. (Standard A.1.) To act as a fiduciary and, therefore, act in the best interests of the Client, a CFP® professional must fulfill the Duty of Loyalty, the Duty of Care, and the Duty to Follow Client Instructions. This guide describes the process by which a CFP® professional may satisfy the Duty of Care when providing Financial Advice that does not require Financial Planning.

To fulfill the Duty of Care, a CFP® professional must exercise the care, skill, prudence, and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances. A CFP® professional may satisfy this requirement by implementing a process that enables the CFP® professional to act in the best interests of the Client when providing Financial Advice.

CFP® professionals are familiar with process requirements. When a CFP® professional provides or agrees to provide Financial Advice that requires Financial Planning, a CFP® professional must follow the *Practice Standards for the Financial Planning Process* (*Practice Standards*) set forth in Section C of the *Code and Standards*. The process that the *Practice Standards* provides for Financial Planning is a further articulation of the Duty of Care that applies to Financial Planning.

What Is the Difference between Financial Advice and Financial Planning?

Financial Advice

A A communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action with respect to:

1. The development or implementation of a financial plan;
2. The value of or the advisability of investing in, purchasing, holding, gifting, or selling Financial Assets;
3. Investment policies or strategies, portfolio composition, the management of Financial Assets, or other financial matters; or
4. The selection and retention of other persons to provide financial or Professional Services to the Client; or

B The exercise of discretionary authority over the Financial Assets of a Client.

Financial Planning

A collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances.

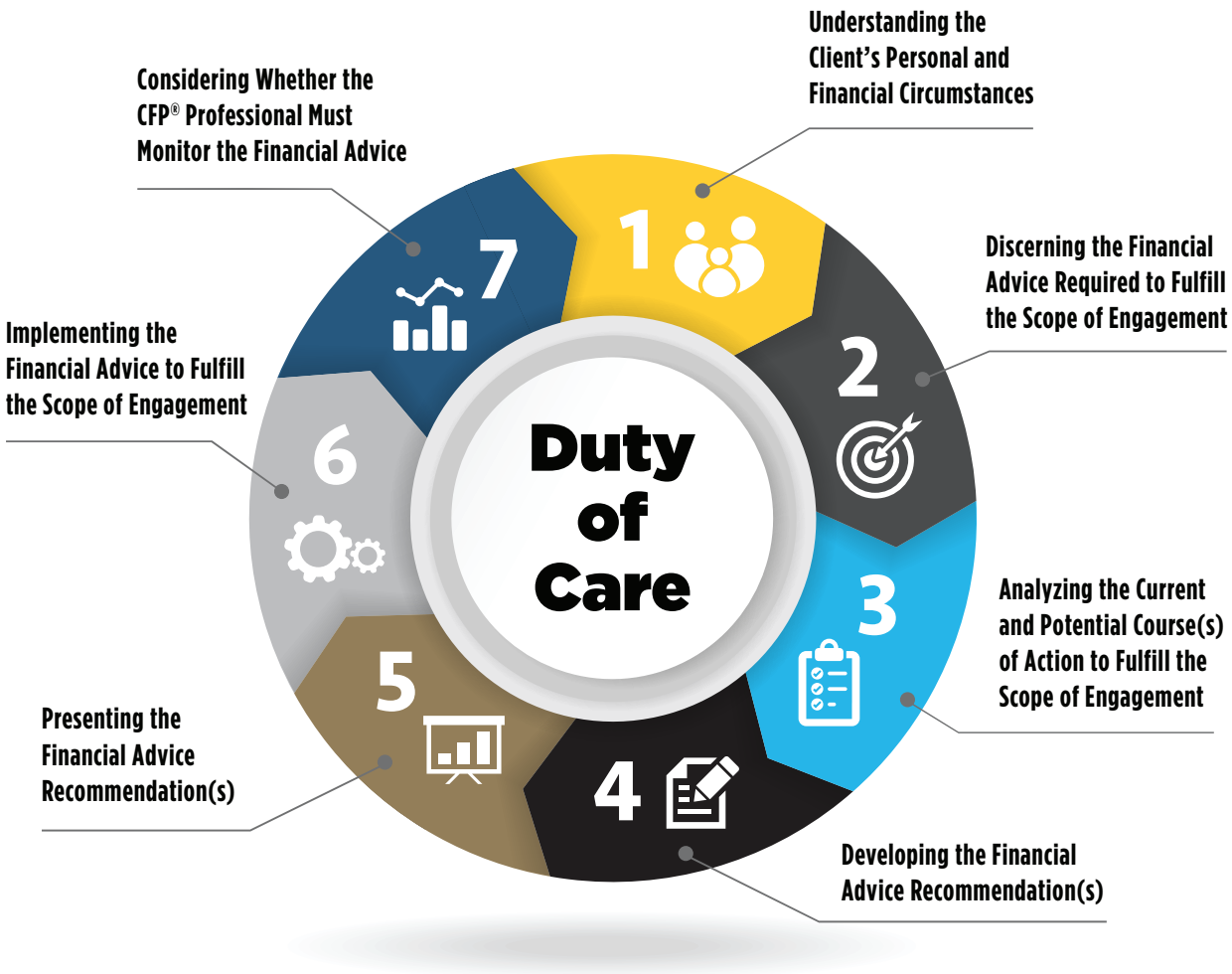
A reference in this guide to "Financial Advice" is to Financial Advice that does not require Financial Planning, and a reference to "Financial Planning" is to Financial Advice that does require Financial Planning.

The Duty of Care process that applies to Financial Advice that does not require Financial Planning is similar to the Duty of Care process set forth in the *Practice Standards*. However, there are significant differences in the depth and scope of what is required. More specifically, the information that a CFP® professional must obtain and analyze, and the breadth of that analysis, typically is greater for Financial Planning than it is for Financial Advice. Similarly, what the Duty of Care requires will depend upon the facts and circumstances and the Financial Advice being provided.

The process for satisfying the Duty of Care when providing Financial Advice that does not require Financial Planning is set forth below. To better enable CFP® professionals to understand how this process relates to the *Practice Standards*, CFP Board has set forth the process for satisfying the Duty of Care when providing Financial Advice in seven steps and compared this process to the Financial Planning process set forth in the *Practice Standards*.

If a CFP® professional does not follow this process, it will be difficult to comply with the Duty of Care that the *Code and Standards* requires. CFP Board will be designing case studies that apply this process to various factual circumstances.

7 Steps: Duty of Care Process for Financial Advice



STEP 1

UNDERSTANDING THE CLIENT'S PERSONAL AND FINANCIAL CIRCUMSTANCES

The CFP® professional must:

- Obtain quantitative and qualitative information
- Analyze information
- Address incomplete information

When providing Financial Advice, a CFP® professional must determine what information is necessary to fulfill the Scope of Engagement in the best interests of the Client. As with Financial Planning, a CFP® professional providing Financial Advice must collaborate with the Client to obtain that information. The information that a CFP® professional needs usually is more extensive for Financial Planning than it is for Financial Advice.

What Information to Gather

The *Practice Standards* in the *Code and Standards* provides examples of the qualitative and quantitative information that may be needed to fulfill a Scope of Engagement for Financial Planning. When the Scope of Engagement is for Financial Advice, the information that a CFP® professional needs to provide Financial Advice in the Client's best interests likely will be more limited. Nevertheless, the examples set forth in Standard C.1.a. of the *Code and Standards* are helpful to consider.

Examples of qualitative or subjective information may include:

☐ Client's health	☐ Attitudes	☐ Goals
☐ Life expectancy	☐ Expectations	☐ Needs
☐ Family circumstances	☐ Earnings potential	☐ Priorities
☐ Values	☐ Risk tolerance	☐ Current course of action

Examples of quantitative or objective information may include:

☐ Client's age	☐ Savings	☐ Government benefits
☐ Dependents	☐ Assets	☐ Insurance coverage
☐ Other professional advisors	☐ Liabilities	☐ Estate plans
☐ Values	☐ Available resources	☐ Capacity for risk
☐ Income	☐ Liquidity	☐ Education and retirement accounts and benefits
☐ Expenses	☐ Taxes	
☐ Cash flow	☐ Employee benefits	

A CFP® professional must then analyze the qualitative and quantitative information to assess the Client's personal and financial circumstances that are relevant to the Scope of Engagement.

The CFP® professional always should ask the Client for any information needed to fulfill the Scope of Engagement, including additional information the CFP® professional needs after reviewing the information the Client initially provided. If unable to obtain information necessary to fulfill the Scope of Engagement, then the CFP® professional may not be able to provide Financial Advice in the best interests of the Client. The CFP® professional may need to limit the Scope of Engagement or terminate the Engagement. The CFP® professional must inform the Client of any such limitations. For example, if a Client asks for Financial Advice regarding the tax implications of selling a particular investment but does not provide tax statements the CFP® professional needs to complete the analysis, then the CFP® professional should inform the Client that the CFP® professional needs the information to fulfill the Scope of Engagement, and if the Client does not provide the information, then limit the Scope of Engagement to Financial Advice the CFP® professional is able to provide or terminate the Engagement.



DISCERNING THE FINANCIAL ADVICE REQUIRED TO FULFILL THE SCOPE OF ENGAGEMENT

The CFP® professional must understand the Scope of Engagement and the Financial Advice required to fulfill the Scope of Engagement.

Depending upon the Scope of Engagement, the CFP® professional may need to:

- Identify potential goals
- Help Clients select and prioritize goals

When providing Financial Planning, the *Practice Standards* require a CFP® professional to help the Client identify, select, and prioritize goals. Financial Advice is narrower in scope than Financial Planning and may not require goal setting and prioritizing. However, a CFP® professional must understand the Scope of Engagement and the Financial Advice needed to fulfill the Scope of Engagement.

STEP 3

ANALYZING THE CURRENT AND POTENTIAL COURSE(S) OF ACTION TO FULFILL THE SCOPE OF ENGAGEMENT

The CFP® professional must:

- Analyze the Client's current course of action
- Analyze potential alternative courses of action

When providing Financial Planning, a CFP® professional is required to analyze the Client's current course of action and, where appropriate, potential alternative course(s) of action to help maximize the potential for meeting the Client's goals. When providing Financial Advice that does not require Financial Planning, a CFP® professional also must analyze the Client's current course of action to determine whether any action is required. If so, then the CFP® professional must consider and analyze the reasonably available alternative courses of action, including the material advantages and disadvantages of each alternative as they relate to the Client's needs and circumstances. The breadth and scope of this requirement generally is more limited when providing Financial Advice than when providing Financial Planning, because with Financial Planning, a CFP® professional also must consider how each alternative course of action integrates the relevant elements of the Client's personal and financial circumstances and helps to maximize the potential for the Client to meet the Client's Financial Planning goals. With Financial Advice, a CFP® professional may focus more narrowly on the goals of the specific Financial Advice that is the subject of the Scope of Engagement.

The potential course of action that emerges from this analysis may include specific actions, products, and/or services (including account types) that are reasonably available from which the CFP® professional will choose a proposed course of action to recommend to the Client.



When a CFP® Professional's Firm's Offers Proprietary or Other Limited Product Menus, or Limited Account Types

Reasonably available courses of action are those that are accessible to the CFP® professional through ordinary and usual means at a reasonable cost to the Client. A CFP® professional is not required to recommend a course of action that is not available to the CFP® professional because, for example, a CFP® Professional's Firm may only allow recommendations of proprietary or other limited ranges of products or accounts. However, a CFP® professional may limit a recommendation of a course of action to those available through the CFP® Professional's Firm only if the course of action is in the Client's best interests. What is in the Client's best interests will depend on the Financial Advice required to fulfill the Scope of Engagement.

A CFP® professional does not have to be familiar with or evaluate every possible course of action, either offered outside of the CFP® Professional's Firm or available on the firm's platform. Instead, a CFP® professional must review possible courses of action that a prudent professional would evaluate under the facts and circumstances at the time of the recommendation.

If the CFP® professional determines that none of the reasonably available courses of action would be in the Client's best interests, then the CFP® professional would not be able to recommend them to the Client. Importantly, a CFP® professional cannot use the CFP® Professional's Firm's limited product menu to justify recommending a course of action that is not in the Client's best interests. Under such circumstances, the CFP® professional must decline to offer the Financial Advice.

When assessing reasonably available alternatives to determine which is/are in the Client's best interests, a CFP® professional who does not anticipate assisting the Client with implementation or monitoring should consider the extent to which the Client is able to implement or monitor the Financial Advice without assistance from the CFP® professional or another competent professional. A CFP® professional must exercise the judgment that a reasonable CFP® professional would exercise in evaluating a Client's ability to implement and monitor the Financial Advice without professional assistance. In doing so, the CFP® professional must evaluate the Client's experience and financial knowledge and the complexity of the Financial Advice. The less experienced or financially knowledgeable a Client and the more complex the Financial Advice, the more likely it is that the Client will not be able to implement or monitor the Financial Advice without competent professional assistance.

The Importance of Competency. The *Code and Standards* sets forth 15 Duties to Clients, all of which apply when a CFP® professional is providing Financial Advice. One of these is the Duty of Competency, which is found in Standard A.3.:

> A CFP® professional must provide Professional Services with competence, which means with relevant knowledge and skill to apply that knowledge. When the CFP® professional is not sufficiently competent in a particular area to provide the Professional Services required under the Engagement, the CFP® professional must gain competence, obtain the assistance of a competent professional, limit or terminate the Engagement, and/or refer the Client to a competent professional. The CFP® professional shall describe to the Client any requested Professional Services that the CFP® professional will not be providing.

A CFP® professional must be knowledgeable about the available courses of action, and whether (and how) they meet the Client's needs. For example, when recommending an investment product, a CFP® professional must be knowledgeable about the product features, costs (including fees), risk, comparative rate of return, maturity, liquidity, payout events, and other factors. A CFP® professional also must have the skill to determine how the product fits the Client's circumstances, consistent with the Scope of the Engagement.



STEP 4

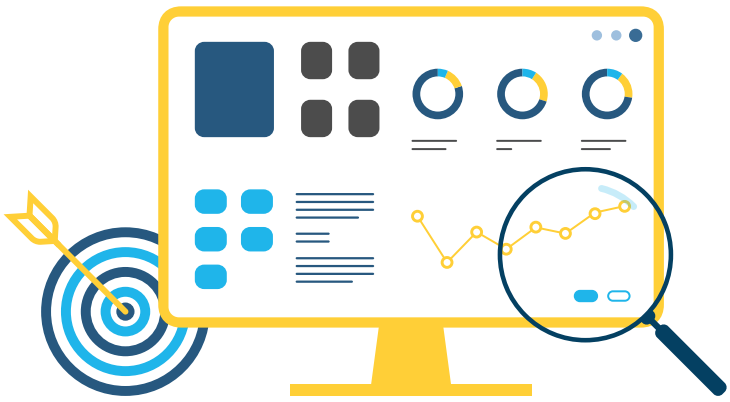
DEVELOPING THE FINANCIAL ADVICE RECOMMENDATION(S)

For each recommendation, the CFP® professional must:

- Determine which of the reasonably available alternative courses of action satisfy the Duty of Care and thus may be prudently recommended to the Client

When developing a Financial Advice recommendation, a CFP® professional must determine which of the reasonably available alternatives satisfy the Duty of Care and thus may be prudently recommended to the Client. A CFP® professional must consider how the course of action is designed to fulfill the Scope of Engagement, and the advantages and disadvantages of the course of action relative to reasonably available alternatives. There may be more than one option that will satisfy the CFP® professional's Fiduciary Duty to act in the best interests of the Client, including the Duty of Care. If so, then a CFP® professional may recommend from any of these options.

The factors that a CFP® professional must consider in making a Financial Advice recommendation are not as expansive as those for a Financial Planning recommendation. This is because the depth and breadth of Financial Advice is narrower than that of Financial Planning. Financial Advice is, by definition, advice that does not require an examination of all of the Client's goals or the integration of all of the Client's personal and financial circumstances. Other factors that a CFP® professional must consider when providing Financial Planning, such as the timing and scope of the recommendation, and whether the recommendation is independent or must be implemented with another recommendation, also may not be relevant to a Financial Advice Engagement. Nevertheless, a CFP® professional must consider the assumptions and estimates used to make the recommendation and how the recommendation is designed to maximize the Client's potential for meeting the goals of the Financial Advice.



STEP 5

PRESENTING THE FINANCIAL ADVICE RECOMMENDATION(S)

The CFP® professional must:

- Present to the Client the selected recommendation(s) and information that the CFP® professional was required to consider when developing the recommendation(s)

With Financial Advice, a CFP® professional's work developing the recommendation and implementing the recommendation may occur contemporaneously. However, in some instances, a CFP® professional providing Financial Advice may not be implementing that Financial Advice. In such instances, a CFP® professional presenting a Financial Advice recommendation, like a CFP® professional presenting a Financial Planning recommendation, must present to the Client the selected recommendations and the basis for the recommendations.

STEP 6

IMPLEMENTING THE FINANCIAL ADVICE TO FULFILL THE SCOPE OF ENGAGEMENT

If the CFP® professional has implementation responsibility, then the CFP® professional must:

- Identify, analyze, and select courses of action for implementation
- Recommend one or more courses of action for implementation
- Select and implement courses of action

Implementation of Financial Advice and Financial Planning is very similar. If the Scope of Engagement includes implementation responsibilities, then a CFP® professional must identify courses of action designed to implement the recommendations, and then determine which of the reasonably available alternatives satisfy the Duty of Care and thus may be prudently recommended to the Client. A CFP® professional must consider how the course of action that would implement the recommendations is designed to fulfill the Scope of Engagement, and the advantages and disadvantages of the course of action relative to reasonably available alternatives. A CFP® professional may not cause the Client to incur excessive cost or be exposed to excessive risk relative to comparable, reasonably available alternatives.

A CFP® professional with implementation responsibilities must recommend one or more course of action to the Client. If there is more than one reasonably available alternative that satisfies the Duty of Care and thus may be prudently recommended, then a CFP® professional could recommend any of those alternatives as being in the best interest of the Client. If the Client requests it, then the CFP® professional also must discuss with the Client the basis for selecting a course of action. A CFP® professional also must disclose and manage any Material Conflicts of Interest concerning the course of action.

If a CFP® professional is implementing a Financial Advice (or Financial Planning) recommendation made by another financial professional, then the CFP® professional must:

Help the Client select and implement the courses of action and discuss with the Client any recommendation that deviates from the Financial Advice (or Financial Planning) recommendation.



Document to Demonstrate Compliance. A CFP® professional should consider, as a best practice, maintaining documents or providing documents to Clients that demonstrate compliance with the *Code and Standards*, even when not explicitly required by law, regulation, or the *Code and Standards*. For example, when recommending alternatives that expose a Client to costs that are higher or risks that are greater than other reasonably available alternatives, a CFP® professional should consider documenting the basis for the recommendation, including why it was in the best interests of the Client. A CFP® professional must comply with any legal or regulatory requirements, including with respect to documenting recommendations. CFP® professionals also should be mindful of the Duty to Provide Information to a Client in writing, as set forth in Standard A.10.b. of the *Code and Standards*, when providing or required to provide Financial Planning.



STEP 7

CONSIDERING WHETHER THE CFP® PROFESSIONAL MUST MONITOR AND UPDATE THE FINANCIAL ADVICE

If the CFP® professional has monitoring and updating responsibilities, then the CFP® professional must:

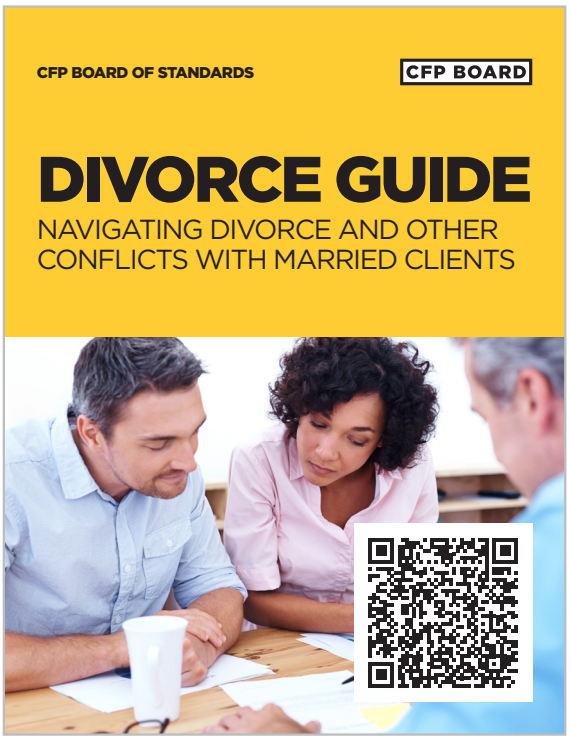
- Monitor to see if circumstances warrant a change or update, and update as appropriate

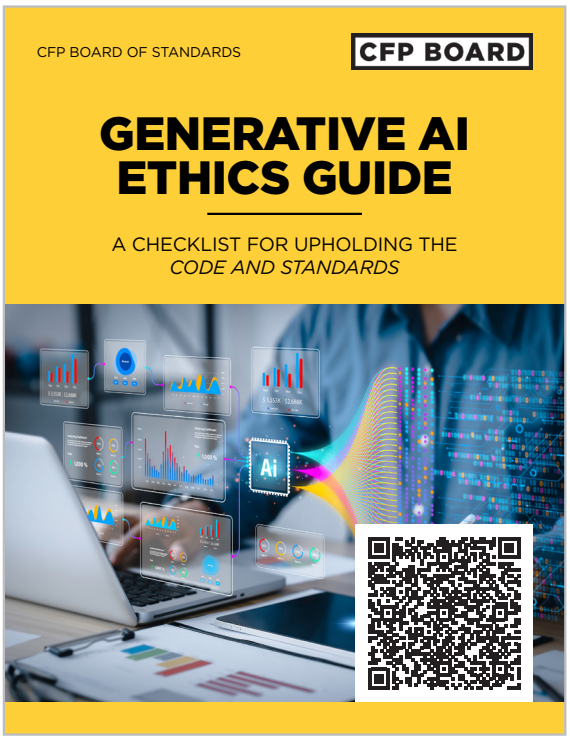
The Duty of Care generally does not encompass a duty to monitor Financial Advice. Whether the CFP® professional is required to monitor the Financial Advice and update recommendations will depend on the Scope of Engagement and the legal standards that apply to the Financial Advice. For example, a CFP® professional who is engaged to provide a one-time recommendation of a life insurance policy or 529 Savings Plan generally would not have an obligation to monitor the Financial Advice (unless the Scope of Engagement provided otherwise), while a CFP® professional who is engaged to provide ongoing portfolio management on a discretionary basis would be required to monitor and update the Financial Advice (as required by applicable law).

When a CFP® professional has a duty to monitor and update (by virtue of a legal obligation or because of the Scope of Engagement), the Duty of Care requires the CFP® professional to skillfully and diligently monitor the Financial Advice provided to determine whether a change in circumstances warrants an update to the recommendations, and update as appropriate.

ADDITIONAL ETHICS COMPLIANCE RESOURCES

CFP BOARD









CFP BOARD

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