

CHECKLIST FOR APPLYING THE DUTY OF CARE PROCESS TO ROLLOVERS



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CFP BOARD

CFP Board designed this checklist to help CFP® professionals provide Financial Advice about rollovers in a manner that complies with the Duty of Care. This is a checklist version of CFP Board's *Guide to Applying the Fiduciary Duty to Rollovers*.

This checklist does not set forth the only way to apply the Duty of Care to a rollover recommendation. The Duty of Care does not require a CFP® professional to always consider every item in this checklist. Conversely, the considerations identified here are not exhaustive and, depending on the circumstances, a CFP® professional may need to obtain additional information or evaluate other factors as well.

Step 1: Understand the Client's personal and financial circumstances

☐ Gather qualitative information

Examples:

- ☐ Health and life expectancy
- ☐ Expected time horizon and goals for the assets, including when the Client might begin distributions from the assets
- ☐ Likelihood of taking a loan or making an early withdrawal from retirement assets
- ☐ Contemplated investment strategy
- ☐ Risk tolerance
- ☐ Desire to consolidate or simplify financial holdings
- ☐ Desire for additional services and Financial Advice, such as portfolio management, Financial Planning or distribution planning
- ☐ Need for creditor protection
- ☐ Level of satisfaction with current plan

☐ Gather quantitative information

Examples:

- ☐ Age
- ☐ Assets in non-retirement accounts
- ☐ Assets in other retirement accounts
- ☐ Liabilities
- ☐ Income and tax situation
- ☐ Capacity for risk

Step 2: Discern the Financial Advice Required to Fulfill the Scope of Engagement

☐ Understand that a rollover recommendation consists of several different but related Financial Advice recommendations:

- ☐ Whether to sell the assets in the Client's existing employer plan as a preparatory step to moving them into a different account
- ☐ Whether to withdraw the assets from the existing plan and roll them over into a new account
- ☐ The type of account and scope of services that would be in the best interests of the Client
- ☐ If the CFP® professional is responsible for implementing any recommended rollover, then how to invest the assets in the account

Step 3: Analyze the Current and Potential course(s) of Action to Fulfill the Scope of Engagement

☐ Identify the Client's current course of action and reasonably available alternative courses of action

- ☐ Remain in the current employer-sponsored retirement plan
- ☐ Roll over the assets to a traditional IRA or a Roth IRA, as appropriate, or purchasing an Individual Retirement Annuity
- ☐ Roll over assets into a plan with a new employer
- ☐ Roll over assets into a plan with a previous employer (if available)

1. The [Guide to Satisfying the Duty of Care](#) sets forth a 7-step process for complying with the Duty of Care when providing Financial Advice that does not require Financial Planning; if the CFP® professional is providing advice about rollovers as part of a Financial Planning Engagement, then the CFP® professional must follow the process set forth in the Practice Standards for the Financial Planning Process. The scope of information that a CFP® professional must obtain and analyze—and the depth of that analysis—will typically be greater for Financial Planning than it will be for Financial Advice that does not require Financial Planning.

- ☐ Make a withdrawal from the plan, considering:
 - ☐ Availability of net unrealized appreciation tax treatment
 - ☐ Need for taxable distributions
 - ☐ Whether to begin a substantially equal periodic payment plan

☐ **Understand and analyze the features of the Client's current employer plan and each of the reasonably available alternatives**

Examples:

- ☐ Asset classes and investment options in the plan or account, including brokerage accounts or mutual fund windows, and the availability of guaranteed insured retirement income products
- ☐ Availability of Roth accounts and Roth conversions
- ☐ Costs, including the fee schedule for the plan or account as well as the expenses for the available investment options
- ☐ Services provided that are relevant to the Client, such as investment advice or financial planning
- ☐ Applicable distribution rules, such as the availability and flexibility of a substantially equal periodic payment election or features to support taking required minimum distributions
- ☐ Availability of principal protection and/or guaranteed lifetime income features
- ☐ Ability to borrow from the plan
- ☐ Holdings of employer stock
- ☐ Bankruptcy protection and protection from creditors
- ☐ Availability of penalty-free withdrawals, such as hardship distributions or distributions following separation from service

Step 4: Develop recommendations

- ☐ **Conduct a comparative analysis of the advantages and disadvantages of the potential alternative course of action (including the current course of action) and determine which is in the best interests of the Client**

Characteristics to Consider:

- ☐ Additional services that are appropriate for the Client, such as financial planning

(e.g., risk management, tax planning and estate planning)

- ☐ Ability to execute a financial plan or investment strategy in the best interests of the Client
- ☐ The ease of taking loans, early withdrawals or distributions
- ☐ Costs
- ☐ Benefit of consolidating multiple retirement accounts and reducing the risk of "orphaned" or "forgotten" accounts;
- ☐ Account types or fee arrangements that are reasonably available to the Client if the Client rolled assets over into an IRA with the CFP® professional, as compared to the alternatives
- ☐ Need for protection from creditors
- ☐ Client preferences

Step 5: Present the recommendation to the Client

Steps 6: Implement the Recommendation (if included in the Scope of Engagement)

If the CFP® professional recommends a rollover, then:

- ☐ Implement the rollover in the best interests of the Client
- ☐ Follow applicable rules to avoid inadvertent tax consequences
- ☐ Help the Client select investment choices for the Financial Assets in the rollover account that are in the best interests of the Client in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances

Step 7: Monitor/Update the Financial Advice (if included in the Scope of Engagement)

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

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

Documentation: Document how the Duty of Care Process was applied

