

CFP BOARD

CFP BOARD OF STANDARDS

GUIDE TO CFP BOARD'S TECHNOLOGY STANDARD





This Guide is a resource that CFP® professionals can use in complying with the **Duty When Selecting, Using, and Recommending Technology** (the “Technology Standard”) set forth in CFP Board’s *Code of Ethics and Standards of Conduct*.

While this Guide focuses on financial planning software, the Technology Standard applies to all technology a CFP® professional selects, uses, or recommends when providing Professional Services to a Client.

CFP Board understands that many CFP® professionals are not responsible for selecting technology, and that firms often determine which technology a CFP® professional may use. For independent advisors, a CFP® professional’s custodian may provide technology for the CFP® professional to use. This Guide provides guidance on these situations *below*.

This Guide also applies to advanced artificial intelligence (AI) tools. A CFP® professional may find that AI is a smart starting point. A CFP® professional who relies on AI when providing Professional Services to a Client must always exercise reasonable professional judgment to evaluate the AI’s work product. Such tools do not replace a CFP® professional’s skill and judgment.

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What is CFP Board's Technology Standard (Standard A.14)?

1

A CFP® professional must exercise reasonable care and judgment when selecting, using, or recommending any software, digital advice tool, or other technology while providing Professional Services to a Client.

2

A CFP® professional must have a reasonable level of understanding of the assumptions and outcomes of the technology employed.

3

A CFP® professional must have a reasonable basis for believing that the technology produces reliable, objective, and appropriate outcomes.

Key Considerations for Satisfying the Technology Standard

1

Reasonably understand the **Technology Platform** and how each component is used to provide Professional Services.

2

Monitor and assess the Technology Platform for any issues or gaps that would prevent the CFP® professional from acting in the Client's best interests.

3

If responsible for selecting technologies or vendors, conduct appropriate due diligence.

4

Have the relevant knowledge and skill to use the technology when providing Professional Services to a Client.

5

Know which assumptions are embedded in the technology and whether those assumptions are appropriate.

6

Review the reliability, accuracy, and objectivity of the technology's outcomes against the Client's information and underlying assumptions.

CFP® Professional's Use of Technology

Technology is merely a tool that helps CFP® professionals provide Professional Services. As with any tool, technology can help to more efficiently and quickly complete certain tasks, but it cannot replace its user's competence and professional judgment.

Categories of technology such as financial planning software, customer relationship management (CRM) software, portfolio management software, and others, are not firmly established or defined. There can be overlapping functions, as well as "all-in-one" solutions that attempt to address all aspects of a CFP® professional's practice, from client communications to risk analysis and billing. The duty to use reasonable care and judgment applies to each purpose for which the technology will be used.

There may be subtle differences in how a CFP® professional satisfies the Technology Standard depending upon the type of technology involved and the purpose for which the technology will be used. Widely accepted software (such as Microsoft Word or Outlook) requires less scrutiny than technology that has not gained broad acceptance. Additionally, more complex or customized technology will likely require a higher level of scrutiny than less complex or generic technology.

Technology that is used to develop or deliver Financial Advice or Financial Planning directly relates to the duties a CFP® professional owes to Clients, and may require a more thorough review. Such technologies can include spreadsheets or other software that assists with financial planning, social security analysis, portfolio management, or investment analytics.

Information Security

Information security breaches can cause significant harm to Clients and other negative consequences. This Guide does not address information security requirements in detail.

The Duty of Confidentiality and Privacy (Standard A.9)

requires CFP® professionals, either directly or through their firms, to take reasonable steps to protect non-public personal client information from unauthorized access that could result in harm or inconvenience to the Client.

When Working With Others

The duty to use reasonable care and judgment also applies when working with others to provide Financial Advice to a Client. For example, if a CFP® professional is relying on the work product of a person who is using the technology, then the CFP® professional must have a reasonable basis to believe that the person is competent to use the technology appropriately and that the technology's output does not appear flawed or based on erroneous inputs or assumptions.

Proficiency with the Technology

A CFP® professional must have the appropriate knowledge and skill to use their technology. This includes understanding (i) how to properly use applicable features and (ii) the technology’s output in the context it is used. This Duty of Competence applies to each component of the technology that a CFP® professional is using when providing Professional Services.

A CFP® professional’s training on a technology is a factor when determining the reasonableness of care when using that technology. This may include training provided by the vendor or another person who is competent to provide the training. Training can also include using vendor tools that demonstrate how to use the technology, as well as the user’s overall experience with the technology.

Understanding the Technology Platform

A CFP® professional should have a reasonable understanding of the software and other systems that comprise the CFP® professional’s current Technology Platform. A CFP® professional should also have a reasonable understanding of how data flows through each element of their Technology Platform and how different components rely upon each other to function.

Generally, CFP® professionals or their firms select one technology as the “hub” of their Technology Platform. The hub is the technology around which the rest of the Technology Platform is organized and integrated. One consideration is whether the Technology Platform requires duplicative or conflicting data entry across different systems and, if so, whether this creates any risks to Clients or their information.

Technology Platform

As used in this Guide, “Technology Platform” refers to the set of hardware, software, and other systems used by a CFP® professional to provide Professional Services.

Understanding Features and Capabilities



Understanding the Technology Platform means being aware of the technology’s functions, features, and capabilities. A CFP® professional should be aware of both how the features and capabilities tie into the provision of Professional Services and the limitations on what the technology can accomplish.

Certain features may facilitate client interactions, but also could present unrecognized risks. Therefore, carefully consider the potential benefits and risks of working with such capabilities. For example, client portals can provide a way for Clients to directly access their account, provide information and documents, or allow Clients to develop financial planning scenarios. However, depending upon the level of access provided, Clients may be able to make undetected changes that impact projections and could result in recommendations that are not in the Client’s best interest or could cause client harm.

CFP® Professionals Are Not Required To Have All Available Features and Capabilities



Technology can provide reliable, objective, and appropriate outcomes even if it does not possess every feature available on the market. A CFP® professional should still address any limitations of the technology that materially affect the provision of Professional Services.

Monitoring the Technology Platform



CFP® professionals or their firms should have a process for monitoring and assessing their Technology Platform. Such assessments may be periodic—occurring on a regularly scheduled basis—or ad hoc, such as when media reports identify issues with the technology or a Client requests new services or functions.

CFP® professionals or their firms also should have a process for regularly applying software updates. Some updates may apply critical security patches that should be installed immediately. Others may provide feature modifications that can be postponed or that could cause integration issues with other technology, if applied. If updates are applied, reviewing the technology's outcomes after the update can help ensure there were no complications with the process.

Reviewing product and service updates, as well as release notes detailing any enhancements, helps ensure that CFP® professionals are using the technology properly and that it continues to meet client needs. Technology can evolve through updates and patches, which may eliminate certain deficiencies or address previous gaps.

Evaluating the Technology Platform

A CFP® professional should consider whether there are any gaps in their current Technology Platform and whether the Technology Platform meets the needs of the CFP® professional's Clients.

If selecting technology, a threshold issue to address is how any new technology will fit into the current Technology Platform and serve client needs. This requires an assessment of whether the new technology's features and capabilities better facilitate the provision of Financial Advice that is in the Client's best interest.

When undertaking this review, a CFP® professional should be mindful of both the current Technology Platform and the relevant features and characteristics of any new technology under consideration.





Vendor Due Diligence and Technology Assessment

For those responsible for selecting technology, vendor due diligence is key to identifying opportunities, risks, and challenges when determining whether and how the vendor and their technology will suit the CFP® professional's purposes. An effective vendor due diligence process probes areas of potential risk, requests and retains appropriate documentation, and creates a rational process for selecting or rejecting a vendor relationship. The aim is to become comfortable that the vendor and their technology will meet the needs of the CFP® professional and their Clients.

Many CFP® professionals rely upon their firm's selection or pre-approved list of technology, or the services of a technology consultant. CFP Board provides further guidance on such circumstances on the next page.

The due diligence process entails collecting and reviewing various sources of information about the technology, and the vendor's reputation, experience, and qualifications, to determine whether the vendor's technology best suits the CFP® professional's needs. Information can be gathered from publicly available materials, such as third-party reviews or analyses undertaken by professional organizations, or by asking the vendor questions tailored to the CFP® professional's needs.

Sample Questionnaires Contain Potential Vendor Questions



As a helpful resource, CFP Board has included with this Guide sample questions addressing topics that CFP® professionals can ask vendors. The Sample Questionnaires are not intended to be exhaustive, and CFP® professionals are not required to ask every question. Not all questions will apply in all circumstances.

What if the CFP® Professional's Firm Selects the Technology?

A CFP® professional may rely on the CFP® Professional's Firm's selection, or the services of a technology consultant, if the CFP® professional has a reasonable basis to believe that the firm or consultant conducted appropriate due diligence to determine that the software provides reliable, objective, and appropriate outcomes. This includes situations where the CFP® Professional's Firm has developed the software, uses software that a custodian provides, has mandated that a specific technology be used, or has provided a pre-approved list of technologies a CFP® professional may select from.

What if the CFP® Professional Has Questions or Concerns About the Firm's Selection?

CFP Board's *Code and Standards* requires CFP® professionals to comply with the lawful objectives of a CFP® Professional's Firm. A CFP® professional should also raise any questions or concerns he or she may have about firm technology. For example, if a CFP® professional joins a firm that uses technology the CFP® professional reasonably believes does not produce reliable, objective, and appropriate outcomes, then he or she should determine whether the firm has policies and procedures addressing their concerns. This can include an internal escalation path or a firm hotline that can be used to communicate with appropriate firm personnel. The CFP® professional should follow such policies and procedures. In the absence of relevant policies and procedures, a CFP® professional should:

- Inform the CFP® Professional's Firm that he or she believes that the technology as implemented by the firm does not produce reliable, objective, and appropriate outcomes;
- Explain the basis for the CFP® professional's belief; and
- Request that the firm or vendor demonstrate that the technology produces reliable, objective, and appropriate outcomes or take action to ensure that technology which produces reliable, objective, and appropriate outcomes is used.

If the CFP® professional continues to believe the technology does not produce reliable, objective, and appropriate outcomes for the purpose for which they will be used, then the CFP® professional should not use the technology for that purpose. The CFP® professional may supplement the technology with other tools or technology that produces reliable, objective, and appropriate outcomes for its intended purpose. If outcomes remain unreliable, unobjective, or inappropriate despite such steps, the CFP® professional must refrain from using the technology.

Recommending Technology to Clients

At times, Clients may ask for a recommendation of technology for personal use, such as budgeting software that the Client intends to use on their own. The CFP® professional should first review and ensure compliance with the CFP® Professional's Firm's policies and procedures concerning such recommendations. If not prohibited by firm policies, the CFP® professional should communicate clearly to the Client if the CFP® professional is recommending technology versus offering general educational information on available technologies (such as suggesting the Client look to review sites or other unvetted sources).

A CFP® professional must not recommend technology for their Client's personal use unless the CFP® professional (i) explains the purpose for which the technology is designed and intended to be used and (ii) has a reasonable basis for the recommendation based upon the technology's capabilities, their experience with the technology, and the technology's reputation (including with other Clients of the CFP® professional, if applicable).

When recommending technology, a CFP® professional must communicate clearly about the scope of the recommendation and whether he or she has an ongoing responsibility to inform the Client if any developments render the recommendation unreasonable.

Separately, a recommendation that a Client use a technology as part of the Professional Services (such as using a client portal to upload documents) satisfies the Technology Standard if the CFP® professional exercised reasonable care and judgment when selecting and using the technology.

Reasonable Understanding of Assumptions and Outcomes

A CFP® professional must know what assumptions the technology utilizes, the basis for these assumptions, and whether they are appropriate. CFP® professionals should consider to what extent the assumptions can be reviewed, validated, or modified. If the assumptions are inappropriate, then the CFP® professional must (i) adjust the assumptions to the extent feasible and permitted by firm policies or (ii) discuss the assumptions and their impact on recommendations with the Client.

A CFP® professional may rely on their firm's assumptions if they have a reasonable basis to believe that the firm conducted a review to determine if the assumptions are appropriate.

Common assumptions that arise with financial planning software include:

- Inflation Rates
- Capital Market Assumptions
- Tax Calculations (State and Federal)
- Health Care Expenses
- Mortality Assumptions and Longevity Risk
- Social Security Benefits
- Decumulation Strategy
- Estate Planning Assumptions

Production of Reliable, Objective, and Appropriate Outcomes

A CFP® professional cannot rely on a technology's outcomes without question or review. A CFP® professional must always use their professional skill and judgment to assess whether the technology's outputs are (i) accurate and error-free, (ii) the product of any bias or conflicts of interest, and (iii) proper for the Client's circumstances and the purpose for which they will be used.

This analysis is critical for mitigating the risk of automation bias—the tendency for people to favor automated suggestions even when presented with contradictory information indicating such outputs are wrong. For example, when someone blindly accepts and uses an AI-generated response despite the system providing inaccurate facts and sources.

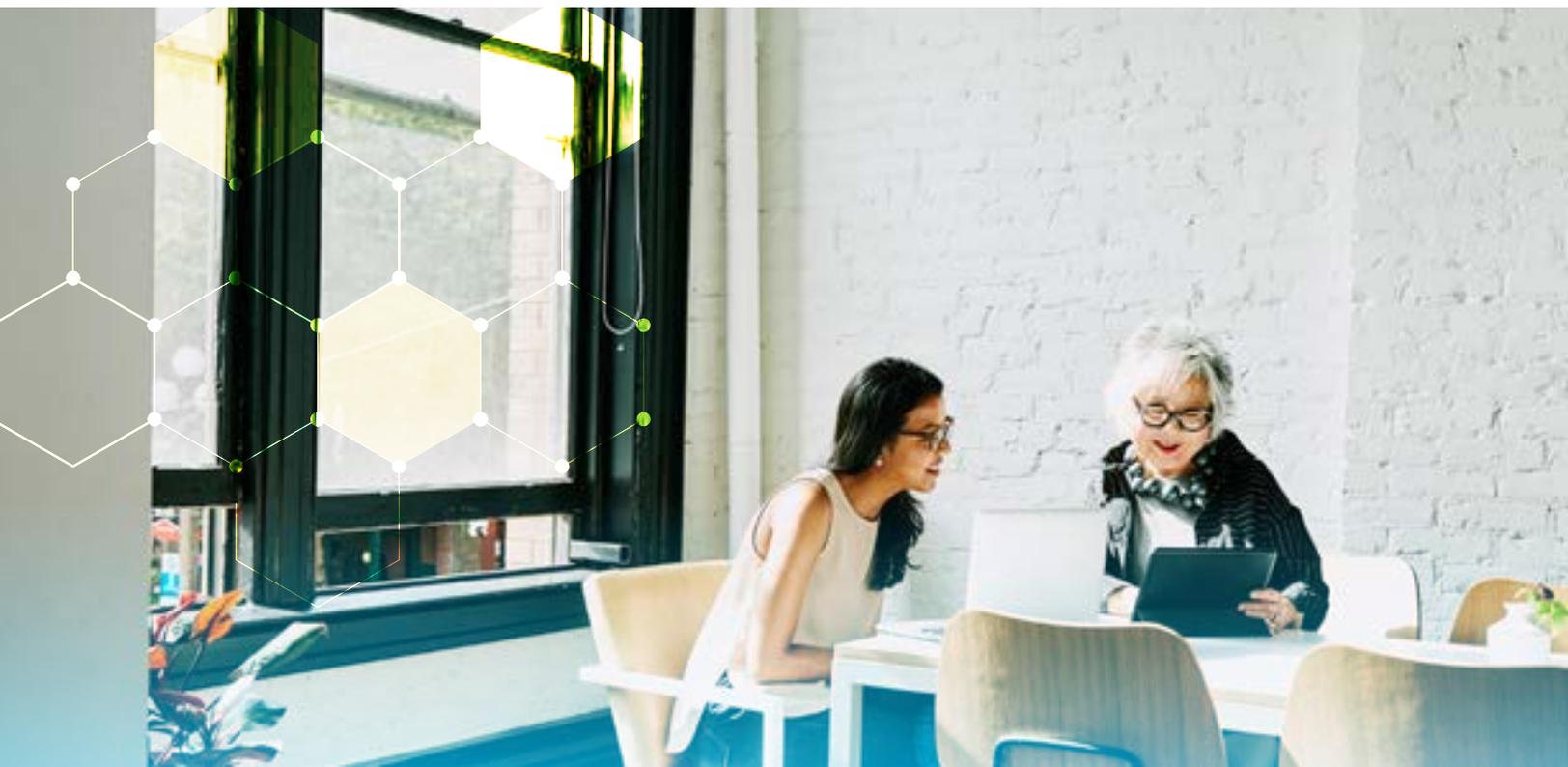
The required level of review will depend on the purpose for which the technology is used and the facts and circumstances regarding its use.

With a reasonable understanding of how the technology derives its outcomes (i.e., the methodology used to take assumptions and produce the output) a CFP® professional can appropriately adjust their reliance on the technology.

Reviewing the technology's results helps promote reliable, objective, and appropriate outcomes.

A CFP® professional should consider the underlying methodology, assumptions, and final outputs, and measure those outputs against client information and the underlying assumptions. This may include utilizing the technology's reconciliation processes and stress testing capabilities, if appropriate, to determine the reasonableness of the outcome based on different scenarios.

Be aware of any unreasonable assumptions or encoded bias (such as unduly favoring a class of assets) that render the technology's output inappropriate for its intended purpose.



Helpful Resources

As a helpful resource, included with this Guide are four questionnaires providing a non-exhaustive list of sample questions for vendors that cover key concepts, as well as a checklist that CFP® professionals can reference when evaluating their Technology Platform, determining whether to add or replace technology, and selecting vendors.

Sample Questionnaires



- **Core Financial Planning Technologies:** Provides sample questions addressing the features and functionality of some of the most widely used categories of technology in the financial services industry, including CRM software, financial planning software, and portfolio management software.
- **Common Features & Capabilities:** Provides sample questions and background information addressing particular features and capabilities used by numerous categories of technology.
- **Technology & Vendor Relationship:** Provides sample questions addressing the technology's reliability and usability, as well as important aspects of the vendor relationship.
- **Assumptions and Outcomes:** Provides sample questions addressing common assumptions used by financial planning software and the reliability, objectivity, and appropriateness of the technology's outcomes.

Technology Evaluation Checklist

- Provides potential considerations when evaluating Technology Platforms, determining whether to add or replace technology, and identifies potential ways to obtain information on the technologies or vendors under consideration.

The Technology Standard does not require a CFP® professional to ask every question in the Sample Questionnaires or consider each issue identified in the Technology Evaluation Checklist. The extent of a CFP® professional's inquiry depends on what is reasonable for a prudent professional given the CFP® professional's and their Clients' circumstances and needs. CFP Board provides these materials solely as a helpful resource for CFP® professionals.

Although CFP Board is hopeful that technology vendors will prepare documents with answers to these questions, please be aware that not all questions are appropriate for every planner.



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