October 15, 2021

Pat Ramirez

1234 J Street, NW

Washington, DC 20008

Dear Pat:

I enjoyed our conversation and I am pleased to be working with you. This letter gives you important information about the work that we (my firm and I) will do for you, how you will pay for services and products, and how we will be paid for the work that we will do for you.

***Drafting Notes:*** If your previous communication with the client was not a conversation (it might have been an email, for example), then change the language here and in the **We Will Provide You the Following Services and Products** section (below).

You will find other important information and a description of my obligation to act in your best interests in my firm’s Relationship Summary (Form CRS), Form ADV, Regulation Best Interest disclosure, Brokerage Agreement, and Investment Advisory Agreement. These documents provide additional information not in this letter, including about how you will pay and how we are paid. We gave you these documents. You should review them carefully and let us know if you have any questions.

***Drafting Notes*:** Confirm that the document titles in the paragraph above and in the first sentence in the **How You Will Pay for Services and Products** section (below) match the titles on the documents you gave your client. If they differ, then change the titles in this letter to match those on your documents. If you gave your client other documents that describe the information addressed in this letter, then you should add those titles to the list above.

If you have enclosed or attached the documents to this letter or provided the documents in separate correspondence, then change the language above and in the **How You Will Pay for Services** **and Products** section (below).

If you want to provide information about the fiduciary duty set forth in CFP Board’s *Code and Standards*, then after you consider your firm’s policies and procedures and consult with your manager, compliance officer, or other appropriate person, you could provide that information here. Consider adding this language: “As we discussed, I am a CFP® professional and have agreed to comply with CFP Board’s *Code of Ethics and Standards of Conduct.* The *Code and Standards* includes a fiduciary duty, which provides that ‘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.’”

**WE WILL PROVIDE YOU THE FOLLOWING SERVICES AND PRODUCTS**

You have engaged us to provide financial planning, investment advisory services, brokerage services, and risk management planning, which may include insurance solutions. We have explained to you the differences among each of these services. My firm’s Form CRS describes the differences between brokerage services and investment advisory services. Please let me know if you want more information about the ways you may work with us.

Based on our recent conversation, we understand that you would like to focus on the following:

1. Cash flow planning, including preparing a cash flow summary and planning for an emergency fund;
2. Investment planning, including reviewing your current investment portfolio and developing and implementing an asset management strategy;
3. Retirement planning, including analyzing how likely you are to meet your target goals by your retirement date;
4. Estate, gift, and wealth transfer planning, including assessing your estate net worth and liquidity, and whether you should consider a trust for the benefit of your grandchildren; and
5. Risk management planning, including assessing your need for life insurance and your current insurance coverage.

***Drafting Notes:*** The above services and their descriptions are examples. The information that you provide in your client letters will be specific to your clients. In your client letters, you may list more or less information than shown here.

If you will discuss with the client only specific lines of insurance, then note that in the second line of this section. For example, "You have engaged us to provide financial planning, investment advisory services, brokerage services, and risk management planning, including insurance solutions, which are limited to life and long-term care insurance."

If you will discuss estate planning with a client, then you might specifically identify the client’s needs (such as a trust for the benefit of the grandchildren, as provided in the example). Or you might limit your services and recommend that the client obtain advice from an attorney who specializes in estate planning. With either approach, you may want to add language to address legal or other concerns.

Here is our approach to financial planning:

1. At first, we will ask you for information, so we can understand your personal and financial circumstances.
2. Then we will work with you to identify and select goals.
3. After you have chosen goals, we will analyze your current course of action and other approaches you might take.
4. Next, we will develop the financial planning recommendations.
5. Then we will present the financial planning recommendations to you, along with the information we considered to develop them.
6. After that, we will analyze and recommend actions, products, and services to implement the financial planning recommendations. We will work with you to decide which of my recommendations you would like to implement. We describe below how we will implement recommendations for specific accounts.
7. At least annually, we will monitor your financial plan. This will include:
	* 1. Analyzing the progress you have made toward achieving your goals. We will remind you to tell us about changes in your personal and financial circumstances. When needed, we will update your goals, our recommendations, and the selection of the actions, products, and services we have recommended.
		2. Monitoring the investments in your Investment Advisory Account and any actions we have taken.

**Monitoring your financial plan** **will not include** **monitoring the investments in either of your brokerage accounts**. This is **your** responsibility.

You will find more information below about which accounts we monitor and which accounts you monitor.

***Drafting Notes:*** The language above is based on how CFP Board describes the financial planning process. Your description may be different from the example above, so long as it is accurate and consistent with CFP Board’s Practice Standards for the Financial Planning Process. While you must follow the seven-step process, you are not required to use seven numbered bullets to explain it.

If you and the client have agreed that you will not provide implementation, monitoring, and/or updating services, then you should delete those steps from this section and explicitly state that you will not provide these services.

This letter assumes the client has two brokerage accounts with this firm and that the CFP® professional will not monitor either account. You must modify the language if these assumptions do not apply to your client’s situation. For example, if your client has two brokerage accounts and you will monitor one account but not the other, then you should provide that information in the letter.

The monitoring obligation for the financial planning recommendations aligns with CFP Board’s Practice Standards for the Financial Planning Process. Under certain circumstances, you also may have a monitoring obligation under relevant law, rule, or regulation. You should consider the effect that the monitoring language you include in this letter may have on your legal or regulatory requirements.

Here is our approach to providing you **investment advisory** services:

1. At the beginning, we will meet with you to develop investment goals and strategies that are consistent with your financial planning goals.
2. We gave you our Investment Advisory Agreement. It describes our advisory relationship and my firm’s investment practices that apply to you. We will manage the Investment Advisory Account on a *discretionary* basis. That means we will buy and sell investments for the account without first getting your specific authorization for each transaction. We will base these decisions solely on our best judgment about what is in your best interests at that time.

***Drafting Notes:*** The above services and their descriptions are examples. The information you provide in your client letters will be specific to your clients.

If needed, change the title of the document in the second numbered item above (Investment Advisory Agreement) to match the precise title of your document.

If your Investment Advisory Agreement does not give you discretionary authority to buy and sell investments, then replace the last three sentences in the second numbered item above with information relevant to your client, including how you or your firm will obtain the client’s trade authorization.

1. Our firm will hold (have custody of) the investment advisory assets that we will manage for you.

***Drafting Note:*** If your firm recommends an asset custodian to hold the assets and help the client set up the Investment Advisory Account, then modify the language to identify that firm and to inform the client that a separate custodial agreement will outline how the client’s assets will be held and how the client may access the assets.

1. My firm will send you a report each calendar quarter that will show the value of your accounts, your accounts’ performance, and other account-related information. The report will show all transactions made in the accounts during the quarter, and any costs or fees deducted from your accounts. In the meantime, you can access your monthly statement online.

***Drafting Notes:*** If the broker-dealer or another firm sends reports to clients, then change the language to reflect that information.

If your firm sends reports on a different schedule, then modify the language accordingly. If your firm does not send reports but makes them available to the client only online, then modify the language.

If your firm does not provide access to reports online, or if the reports do not show the information described, then modify the language.

1. We will monitor this account and when appropriate, update your goals, our

recommendations, and the selection of the actions, products, and services we have recommended.

Here is our approach to providingyou **brokerage services**:

1. We will help you open two brokerage accounts with our firm. You requested two different accounts – one for investments to help you reach your retirement goals and a second to pursue your interest in investing in the stock market. For your convenience, we have decided to refer to the first account as your Retirement Planning Brokerage Account and the second as your Self-directed Brokerage Account. Our firm will hold both of these accounts.
2. You will choose the investments in both of these brokerage accounts. We will help you buy and sell the investments through our firm. We *may* give you recommendations about investments in the Retirement Planning Brokerage Account, but we *will* ***not*** give you recommendations about investments in the Self-directed Brokerage Account.
3. We will **not** monitor or update the investments in the Retirement Planning Brokerage Account or the Self-directed Brokerage Account.

***Drafting Notes:*** The above paragraphs are based on very specific assumptions about accounts for this hypothetical client. The language in your client letters should reflect the specific assumptions for your clients’ accounts. Among the critical details you should communicate to clients are where accounts are held and whether you will give advice and/or update or monitor accounts.

The monitoring obligation for the financial planning recommendations aligns with CFP Board’s Practice Standards for the Financial Planning Process. Under certain circumstances, you also may have a monitoring obligation under relevant law, rule, or regulation. You should consider the effect that the monitoring language you include in this letter may have on your legal or regulatory requirements.

Here is our approach to providing you **risk management planning** (including insurance):

1. We will work with you to identify your risk management needs, including insurance solutions.
2. If insurance solutions are appropriate, then we will work with a third-party general insurance agent to select specific insurance products to meet your needs.

***Drafting Notes:*** If you will discuss with the client only specific lines of insurance, then modify the language.

For example, "Here is our approach to providing you risk management planning, including insurance, which is limited to life and long-term care insurance."

If the CFP® professional will select the insurance products or the client will implement your recommendations with an insurance agent or broker with whom they have a pre-existing relationship, then change the language in the second numbered item to reflect that situation.

As we learn more about your needs, we may discover other services you may need. If you need services that we do not provide, such as accounting and legal services, then we also may be able to recommend professionals to provide those services.

***Drafting Notes:*** If the examples in the second sentence above (accounting and legal services) are not relevant to your practice, please provide examples that are.

# HOW YOU WILL PAY FOR PRODUCTS AND SERVICES

My firm’s Form CRS, Form ADV, Regulation Best Interest disclosure document, Brokerage Agreement, and Investment Advisory Agreement include more information about how you will pay for products and services. We gave you these documents. You also can access them online. We will help you understand the fees you will pay and the cost of any services and products we recommend. Let us know if you have any questions.

***Drafting Notes:*** Confirm that the document titles in the first sentence above match the titles on the documents you gave your client. If they differ, then change the titles in this letter to match those on your documents. You also might note (if true) that your firm’s Form CRS and/or Form ADV is available on the firm’s website and provide a link to that website. If you have provided other documents that describe the information addressed in this letter, then you should add those titles to the list above.

If your firm does not give clients online access to the documents, then modify the language above.

If you are able to provide more specific information about how much or what types of fees or expenses the client will pay, then you should add that information.

* **To work with you to develop the financial planning recommendations and share them with you,** you have agreed to pay a one-time financial planning fee of $5,000. You will pay the other fees described below to implement, monitor, and update the financial planning recommendations.

***Drafting Notes:*** Delete if your firm does not charge a financial planning fee.

If your firm charges a financial planning fee that is different than described above, then modify the language as needed to accurately describe the fee.

If you will not implement, monitor, and/or update your financial planning recommendations, then modify the language in the second sentence above.

* **For the Investment Advisory Account,** you will pay an advisory fee each quarter. The advisory fee covers our costs to manage your assets in the Investment Advisory Account and monitor and update our investment advisory recommendations. My firm will deduct the fee from the Investment Advisory Account based on the average of the values of your account on the last business day of each of the last three months. The amount of the fee is 1% of the average Investment Advisory Account value. If your Investment Advisory Account value increases to more than $1 million, then the fee on the amount above $1 million will be 0.75%. There are additional details in the Investment Advisory Agreement. You should review that agreement carefully and let us know if you have any questions.

***Drafting Notes:*** Delete the section above if you are not providing investment advisory services.

If the language above does not accurately describe how your firm is compensated, then modify the language to provide an accurate description.

If your firm calculates the advisory fee differently, then modify the language above to describe how your advisory fee is calculated.

If your firm aggregates accounts, such as family accounts, when calculating breakpoints, then you should modify the language above.

If your firm uses a term other than “advisory fee,” then change the language in the bullet above to use your firm’s term.

If the fee is paid on a schedule other than quarterly, then change the language to reflect the specific payment schedule.

If your firm charges hourly, then state the hourly fee and the hourly increments in which your firm bills. If different members of the firm bill at different hourly rates, then list the rate of each person who may provide services to the client.

If your firm bills a flat one-time or annual fee for services, then state the specific fee and the time period that it covers. For example: “You will be charged a $5,000 annual fee through December 31, 2022, payable in quarterly payments of $1,250 beginning March 31, 2022.”

* **In the two brokerage accounts,** you will pay commissions when you buy and sell investments through our firm. As a reminder, we will **not** monitor or update your brokerage accounts. There are more details in the Brokerage Account Agreement. You should review that agreement carefully and let us know if you have any questions.

***Drafting Notes:*** Delete this section if the client does not have brokerage accounts.

Modify the language if the client has only one or more than two brokerage accounts, or if you will monitor and/or update the client’s brokerage accounts.

* **For risk management planning,** what you will pay will depend on the solution that you implement. If you implement an insurance solution, then you will pay a commission that we will share with the third-party general insurance agent.

***Drafting Notes:*** Delete the section above if the CFP® professional will not be providing risk management planning services.

If the risk management planning services are included in another fee, then indicate that here. For example, risk management planning services may be included in the financial planning fee if the client will implement an insurance solution with their own insurance agent. In that situation, this bullet might read, “The financial planning fee you pay covers risk management planning.”

If you or your firm will select the insurance products and will not be working with a third-party general insurance agent, then modify the language to reflect that information.

Identify any additional product-specific fees that the client will be paying if they implement an insurance solution, such as surrender charges, mortality expenses, transfer charges, and investment expense ratios. For example, “If you buy an annuity product, then you may pay other fees to third parties, including surrender charges, mortality expenses, transfer charges, and investment expense ratios.”

* **If you invest in mutual funds or exchange traded funds (ETFs),** then you will pay fees and expenses to third parties. In addition to the initial commissions and other sales charge, these products have operating expenses and ongoing fees that are not included in the fees you pay us. Mutual fund and ETF fees and expenses can include investment management fees and shareholder service fees.

***Drafting Notes:*** If there are other ways that the client may pay fees and expenses to third parties, then add bullets to describe those fees and expenses.

* **Our firm will hold (maintain custody of) your assets in the Investment Advisory Account and both brokerage accounts.** You will pay fees and expenses to our firm to maintain custody of your assets.

***Drafting Notes:*** Modify the bullet above if another firm will maintain custody of any of the client’s accounts.

***You will pay commissions, fees, and expenses whether you make or lose money on your investments. Commissions, fees, and expenses will reduce the amount you earn on your investments.***

# HOW WE (THE FIRM AND I) WILL BE PAID

We are paid in several ways.

* To develop financial planning recommendations, you pay my firm a financial planning fee. I am paid part of the financial planning fee that clients pay my firm.
* To manage the assets in your Investment Advisory Account and to monitor and update our investment advisory recommendations, you pay my firm an advisory fee each quarter. I am paid part of the advisory fees that clients pay my firm.
* To buy and sell investments in your brokerage accounts, you pay commissions, sales charges, and markups. I am paid part of these commissions and fees.
* When you buy insurance products, you pay commissions. I am paid part of the commissions that my firm receives.

We are paid more when we buy or sell some products than others.

My firm’s Form CRS, Regulation Best Interest disclosure document, Form ADV, Brokerage Agreement, and Investment Advisory Agreement explain the ways we are paid for our work with you.

***Drafting Notes:*** If your firm does not charge a financial planning fee, then delete the first bullet.

If you will not monitor and/or update your financial planning recommendations, then delete the second bullet or revise the wording to reflect your arrangement.

If your firm uses other terms to describe its fees, then change the language in the sentences above.

If you and your firm will not be paid directly when the client buys insurance products, then modify the language in the last bullet. For example, “When you buy insurance products, we are not paid a separate fee. Our financial planning fee covers our insurance recommendations.”

If you are paid in different or additional ways, then replace the language in the sentences above with language that describes how you are paid.

Confirm that the document titles in the sentence above match the titles on the documents you gave your clients. If they differ, then change the titles in this letter to match those on your documents. If you gave your client other documents that describe the information addressed in this letter, then you should add those titles to the list above.

There are other ways we are paid by firms that are not related to my firm. For these types of payments, the other firms pay us. There is no extra charge to you.

* **We are paid by mutual fund, ETF, and fixed and variable annuity providers to make their products available for you to buy or sell, and to provide services related to those products**. The amount we are paid to make the products available (known as revenue sharing) is based on how much of those products our clients buy or sell. Mutual funds and variable annuities also pay us to provide related services, including for distribution, marketing, networking, and shareholder accounting.
* **We may be paid when you hire a firm we recommend to you**. For example, my firm sometimes refers clients to an accounting firm that pays us a “referral fee” if our clients hire them. When that happens, we will tell you when we recommend them.
* **We get incentives to sell products for unrelated firms**. These include travel and admission to industry conferences or educational events, promotional items, meals, access to entertainment and other events, and payments for client meetings.

***Drafting Notes:*** If there are other ways that you are paid by firms that are not related to your firm, then describe them here. If the examples provided above (mutual funds, ETFs, and annuities in the first bullet, referral fees in the second bullet, or incentives in the third bullet) do not apply to your practice, then do not include them in your letter.

If you or your firm receives any sales-related compensation or a related party receives any sales-related compensation in connection with any professional services you or your firm provides to clients, **then you may not describe your practice as fee-only.**

# MY MATERIAL CONFLICTS OF INTEREST

We have a conflict of interest whenever we have interests that are different from yours. Conflicts can affect the recommendations we give you. When we have a conflict, we will tell you. You can find more information about conflicts of interest in my firm’s Form CRS, Form ADV, Regulation Best Interest disclosure, Brokerage Agreement, and Investment Advisory Agreement. We have policies and procedures designed to help manage conflicts. We will always work in your best interests.

***Drafting Notes:*** Confirm that the document titles in the sentence above match the titles on the documents you gave your clients. If they differ, then change the titles in this letter to match those on your documents. If you gave the client other documents that describe the information addressed in this letter, then you should add those titles to the list above.

* **The ways you pay us create conflicts of interest**. The amount we earn from working with you depends, in part, on the amount of assets we manage for you. We have a financial incentive to recommend that you make financial decisions that would result in more assets under our management.
* **We have a conflict because the amount we earn from working with you depends, in part, on the fees, commissions, sales charges, and markups we receive when you buy and sell investments and insurance through my firm**.We earn more on some products than others. We have a financial incentive to recommend that you buy the products that pay us more. We also have a financial incentive to recommend that you buy and sell more products.
* **We also have a conflict when we receive other payments and incentives from firms that are not related to us.** They were described in the **How We (the Firm and I) Will Be Paid** section. These include payments to make mutual funds, ETFs, and annuities available to you, product-related service fees, referral fees, and incentives. We have a financial incentive to recommend the services and products that pay us more money.
* **If we provide other services to you in the future, there may be** **different conflicts***.* When we have a conflict of interest, we will tell you about it.

If you are concerned about a conflict of interest and how it might affect your accounts, please talk to me about it.

***Drafting Notes:*** These material conflicts of interest are examples. If they do not apply to your practice, then do not include them in your letter. If you have other material conflicts of interest, then you need to disclose them here.

# YOUR RESPONSIBILITIES

It is **your** responsibility to monitor and update the investments in your brokerage accounts. It also is your responsibility to update the information you have given me about your personal and financial circumstances. You will be sent account reports at least quarterly. You also can access the reports online. You should review these documents carefully. Let me know if you want to talk about the information in these documents.

***Drafting Notes:*** You will need to modify the **Your Responsibilities** section if your firm sends reports on a schedule other than quarterly, or if another firm sends the reports, or if your firm does not send reports but makes them available to the client online, if your firm does not make reports available to clients online, or if your client has other responsibilities not described here.

# TIMING OF THE ENGAGEMENT

Our engagement will continue until one of us decides to change or end it. If you decide to change or end the engagement, you just need to tell us. We can do the same, but we will tell you in writing.

***Drafting Notes:*** If your firm has a specific policy about when and how notice must be given to end the engagement, then it should be stated here.

# YOUR PERSONAL INFORMATION

My firm has adopted and implemented policies about protecting and sharing your non-public personal information. We have given you our privacy policy.

***Drafting Notes:*** If you enclosed or attached the privacy policy with this communication or will provide it at another time, change the language in the last sentence.

# PUBLIC DISCIPLINARY AND BANKRUPTCY HISTORY

I do not have public disciplinary or bankruptcy history.

***Drafting Notes:*** If you do not have public disciplinary or bankruptcy history, then you may choose whether to include this section.

# THANK YOU FOR WORKING WITH US

Thank you for choosing us to work with you. We look forward to getting to know you better. You may reach me at BiancaThompson@financialfirm.com or 202-379-2200.

Sincerely,

Bianca Thompson, CFP©