PUBLIC FORUM: CODE OF ETHICS AND STANDARDS OF CONDUCT

Blaine Aikin, CFP®, CFA, AIFA®
Leo Rydzewski, JD
Today’s Presenters

Blaine Aikin, CFP®, CFA, AIFA

- Chair of the Standards Resource Commission
- Former Chair of CFP Board’s Board of Directors
- Executive Chairman of Fi360 and CEFEX
- CFP® professional for 33 years

Leo Rydzewski, JD

- CFP Board’s General Counsel and Managing Director of Professional Standards
- Staff Liaison to CFP Board’s Commission on Standards and Standards Resource Commission
Accessing Today’s Webinar
- To refresh console, press F5
  (Command-R on Mac)

Submit questions through webinar interface

No CE for attendance

Recorded webinar presentation will be available on CFP.net
Campaign motivates consumers to partner with a CFP® professional for:

- Holistic thinking that incorporates all aspects of finance
- Personalized, comprehensive and flexible plans
- Financial plans created in their best interest
CFP Board’s mission is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning.

CFP Board periodically evaluates its standards to maintain the value, integrity, and relevance of the CFP® certification.
In March 2018, CFP Board announced that its Board of Directors unanimously approved a new Code of Ethics and Standards of Conduct, which sets forth the ethical standards for CFP® professionals. CFP Board recently announced technical revisions to the Code and Standards.

In June 2018, CFP Board formed a Standards Resource Commission to develop proposed guidance resources to educate and inform CFP® professionals about the *Code of Ethics and Standards of Conduct*.

Members include:
- CFP® professionals representing various business and compensation models;
- CFP® professionals providing financial planning services; and
- Individuals with experience interpreting statues, rules, and regulations related to the provision of investment advice or the sale of insurance, securities or other financial products.
Members of the Standards Resource Commission

Pamela Banks
C. Frederick Reish
Patrick Daxon, CFP®
Randy Gardner, JD, CFP®
Lori Trawinski, PhD. CFP®
Blaine Aikin, CFP®

Melanie Fein, JD

John Pettee, CFP®
Brian Woldow
Kevin Ruth, CFP®
Linda Leitz, PHD, CFP®
Eugene F. Maloney
Bill Prewitt, CFP®
Peter Richardson, CFP®
KEY CHANGES
Expanded Application of Fiduciary Duty

The *Code and Standards* is focused on CFP Board’s mission to benefit the public, and reflects a commitment that all CFP® professionals make to high standards of competency and ethics.

The cornerstone of the *Code and Standards* is the obligation to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice.

What does it mean to act as a fiduciary?

A CFP® professional must fulfill the following duties:
- Duty of Loyalty
- Duty of Care
- Duty to Follow Client Instructions
Duty of Loyalty
• Place Client’s interests ahead of interests of CFP® professional.
• Conflicts: (1) avoid or (2) fully disclose, obtain consent, and properly manage.
• Act without regard to interests of others.

Duty of Care
• Act with care, skill, prudence, and diligence.
• Consider Client’s goals, risk tolerance, objectives, and circumstances.

Duty to Follow Client’s Instructions
• Comply with Terms of Engagement.
• Follow Client’s reasonable and lawful directions.
Applies to All Financial Advice

Application
• “At all times when providing Financial Advice to a Client.”
• More expansive than when providing Financial Planning.

Who is a “Client”?  
• Any person, including a natural person, business organization or legal entity.
• To whom the CFP® professional provides or agrees to provide “Professional Services.”
• Pursuant to an “Engagement.”
Case Study: A Fiduciary’s Duty of Care

Jack, a CFP® professional, begins working with Jane, a new Client. Jane completes account opening forms and has indicated that she can tolerate a 30% reduction in the value of her portfolio but also stated that she has a conservative risk tolerance. Jack’s supervisor suggests that based on the reduction in value Jane says she can tolerate in her portfolio, Jack should recommend a private placement that promises to be very successful, but has a high risk of loss. Jack conducts an analysis and determines that the investment would match Jane’s stated willingness to sustain a loss in value in her portfolio. Jack explains the investment and Jane chooses to purchase the investment.

Which of the following statements best describe this scenario?

A. Jack met his duty of care because he solicited information about Jane's tolerance for risk and recommended an investment to Jane that matched that tolerance.

B. Jack violated his duty of care because a prudent CFP® professional acting with diligence would have spoken with Jane about the inconsistent risk tolerance information prior to recommending the investment.

C. Jack violated his duty of care to Jane because the investment itself is not appropriate for Jane.
Jack, a CFP® professional, begins working with Jane, a new Client. Jane completes account opening forms and has indicated that she can tolerate a 30% reduction in the value of her portfolio but also stated that she has a conservative risk tolerance. Jack’s supervisor suggests that based on the reduction in value Jane says she can tolerate in her portfolio, Jack should recommend a private placement that promises to be very successful, but has a high risk of loss. Jack conducts an analysis and determines that the investment would match Jane’s stated willingness to sustain a loss in value in her portfolio. Jack explains the investment and Jane chooses to purchase the investment.

Which of the following statements best describe this scenario?

A. Jack met his duty of care because he solicited information about Jane's tolerance for risk and recommended an investment to Jane that matched that tolerance.

B. Jack violated his duty of care because a prudent CFP® professional acting with diligence would have spoken with Jane about the inconsistent risk tolerance information prior to recommending the investment.

C. Jack violated his duty of care to Jane because the investment itself is not appropriate for Jane.
### Fiduciary Duty

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>If I am already subject to a fiduciary duty, does the new fiduciary duty require me to do anything different?</td>
</tr>
<tr>
<td>What is the difference between Financial Advice and communications that are not Financial Advice?</td>
</tr>
<tr>
<td>What are some common examples of when a CFP® professional has and has not complied with the fiduciary duty?</td>
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<tr>
<td>How does the fiduciary duty apply to specific products?</td>
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</tbody>
</table>
Duty to Fully Disclose Material Conflicts

Disclosure Obligation:
• Fully disclose all Material Conflicts of Interest that could affect the professional relationship.

Conflict of Interest Defined:
• When interests of CFP® professional (and firm) are adverse to the CFP® professional’s duties to the Client; or
• When CFP® professional has duties to one Client that are adverse to another Client.

Material:
• When a reasonable Client or prospective Client would consider the Conflict of Interest important in making a decision.
Full Disclosure and Informed Consent

Disclose “Sufficiently Specific Facts”
• Would a reasonable Client understand the conflict and how it could affect the advice?
• Ambiguity interpreted in favor of the Client.

Delivery
• Written disclosure is not required.
• Oral disclosure weighed as CFP Board deems appropriate.

Obtain Informed Consent
• Written consent is not required.
• When will consent be inferred?
  • Great harm?
  • Significant departure from commonly-accepted practices?

Management of Conflicts
• Must adopt and follow business practices reasonably designed to prevent Material Conflicts from compromising the CFP® professional’s ability to act in the Client’s best interests.
Case Study: Handling Conflicts of Interest

Cindy, a CFP® professional, has served as James's financial planner for several years. James has decided to sell his extremely rare and expensive antique car. Cindy has been coveting James’s antique car for years and is interested in purchasing the car. James tells Cindy that he would sell the car to her since he would be happy to see the car go to someone he knows. Cindy tells James that she would have a Conflict of Interest if she were to act as James’s financial planner and purchase the car. Cindy and James discuss the Conflict of Interest and Cindy provides James with a comprehensive written disclosure regarding the conflict. James knows that Cindy has a conflict but he likes Cindy and wants to proceed with the sale anyway.

What is Cindy’s best option for managing the Conflict of Interest?

A. Cindy should ask James what price he wants for the car and meet that price.
B. Cindy should decide what she thinks is a fair price and offer James no less than that price.
C. Cindy should inform James that she cannot purchase the car from him unless he obtains an independent appraisal sale of the car.
D. Cindy should terminate her financial planning relationship with James and purchase the car.
Case Study: Handling Conflicts of Interest

Cindy, a CFP® professional, has served as James's financial planner for several years. James has decided to sell his extremely rare and expensive antique car. Cindy has been coveting James’s antique car for years and is interested in purchasing the car. James tells Cindy that he would sell the car to her since he would be happy to see the car go to someone he knows. Cindy tells James that she would have a Conflict of Interest if she were to act as James’s financial planner and purchase the car. Cindy and James discuss the Conflict of Interest and Cindy provides James with a comprehensive written disclosure regarding the conflict. James knows that Cindy has a conflict but he likes Cindy and wants to proceed with the sale anyway.

What is Cindy’s best option for managing the Conflict of Interest?
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C. Cindy should inform James that she cannot purchase the car from him unless he obtains an independent appraisal sale of the car.
D. Cindy should terminate her financial planning relationship with James and purchase the car.

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## Guidance on Conflicts

### Conflicts of Interest

Examples of when a CFP® professional did or did not provide full disclosure of a material conflict of interest.

How should a CFP® professional handle conflicts in a divorce or separation of a couple when the CFP® professional has represented both spouses?

What are some common examples of materials conflicts of interest and the business practices a CFP® professional must adopt and follow to prevent conflicts from compromising the CFP® professional’s ability to act in the client’s best interest?
Financial Planning

• New definition of financial planning.

• Substantially updated and reorganized financial planning process – now a seven-step process.

• A new standard for determining when a CFP® professional is required to comply with the Practice Standards.

• A new standard for when a CFP® professional is required to comply with the Practice Standards, but the client does not want financial planning.
The Practice Standards Apply When:

• The CFP® professional agrees to provide or provides Financial Planning.

• The CFP® professional agrees to provide or provides Financial Advice that requires integration of relevant elements to act in Client’s best interests.

• The Client has a reasonable basis to believe the CFP® professional will provide or has provided Financial Planning.
### Financial Planning and the Application of the Practice Standards

<table>
<thead>
<tr>
<th>Question</th>
</tr>
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<tbody>
<tr>
<td>What is the difference between Financial Planning and Financial Advice?</td>
</tr>
<tr>
<td>Examples of when a CFP® professional is required to provide Financial Planning.</td>
</tr>
<tr>
<td>Explain and provide examples of Financial Advice that Requires Financial Planning.</td>
</tr>
<tr>
<td>Examples of what a CFP® professional must do when a client does not want financial planning, but the CFP® professional is otherwise required to provide financial planning.</td>
</tr>
</tbody>
</table>
## Updates to the Steps in the Process

<table>
<thead>
<tr>
<th>Current Practice Standards (Effective Until September 30, 2019)</th>
<th>New Practice Standards (Effective October 1, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establishing and Defining the Relationship with the Client</td>
<td>[Moved to section A.10 (Provide Information to a Client)]</td>
</tr>
<tr>
<td>2. Gathering Client Data</td>
<td>1. Understanding the Client’s Personal and Financial Circumstances</td>
</tr>
<tr>
<td></td>
<td>2. Identifying and Selecting Goals</td>
</tr>
<tr>
<td>3. Analyzing and Evaluating the Client’s Financial Status</td>
<td>3. Analyzing the Client’s Current Course of Action and Potential Alternative Course(s) of Action</td>
</tr>
<tr>
<td>4. Developing and Presenting the Financial Planning Recommendations (Identifying and Evaluating Alternatives)</td>
<td>4. Developing the Financial Planning Recommendation(s)</td>
</tr>
<tr>
<td>4. Developing and Presenting Financial Planning Recommendations (Developing Recommendations)</td>
<td>5. Presenting the Financial Planning Recommendation(s)</td>
</tr>
<tr>
<td>5. Implementing the Financial Planning Recommendations</td>
<td>7. Monitoring Progress and Updating</td>
</tr>
<tr>
<td>6. Monitoring</td>
<td></td>
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</tbody>
</table>
## Practice Standards

What are the significant changes to the Practice Standards?

Examples of the types of information a CFP® professional should document pursuant to the Practice Standards.
Key Changes: Disclosures

- New standard for providing clients with information at the time of the engagement, and when that information needs to be provided in writing, including:
  - A description of products and services offered;
  - How the client pays for the products and services; and
  - How a CFP® professional and the CFP® professional’s firm are compensated for providing the products and services.
Timing:
• Prior to or at the time of the Engagement. For conflicts, before providing any Financial Advice regarding which the CFP® professional has a Material Conflict of Interest.

Delivery:
• Financial Advice: No written requirement, but must document.
• Financial Planning: Provide in one or more written documents.
• Conflicts of Interest: Not required to be provided in writing, but evidence of oral disclosure will be given such weight as CFP Board deems appropriate.

Updating:
• Ongoing duty to provide information that is a Material change or update (Material is when a reasonable Client or prospective Client would consider the information important in making a decision).
• Updates to disciplinary history or bankruptcies within 90 days.
## Guidance on Disclosures

**Disclosure**

How do my existing disclosures satisfy CFP Board’s disclosure requirements?

Explain the difference between providing information to a client in writing and documenting information that has been provided to a client.

Can CFP Board provide sample disclosure forms and a sample engagement?
Other Key Changes

• A revised structure with a streamlined Code of Ethics.

• Updated Duties to Clients.

• A specific standard for using “fee-based” and other similar terms that a consumer may confuse with “fee-only.”

• A new process for bankruptcy.
## Compensation Representation

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples of when a CFP® professional may and may not describe his or her compensation method as fee only.</td>
<td>Examples of a CFP® professional describing her compensation method as “fee-based” in manner that complies with and does not comply with the standard.</td>
</tr>
<tr>
<td>Explain the safe harbor for compensation received by a “Related Party” and provide sample policies and procedures that would satisfy the safe harbor.</td>
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<tr>
<td>How should a CFP® professional handle compensation misrepresentations by the CFP® professional’s firm?</td>
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<tr>
<td>Duties Owed to CFP Board</td>
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<td>--------------------------</td>
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<tr>
<td>What conduct must be reported to CFP Board?</td>
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<tr>
<td>Examples of a narrative statement that accurately and completely describes material facts and the outcome or status of a reportable matter.</td>
<td></td>
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<tr>
<td>Examples of when a CFP® professional has complied with and not complied with the cooperation requirements.</td>
<td></td>
</tr>
</tbody>
</table>
## Guidance on Other Topics

### Other Standards – General Guidance

<table>
<thead>
<tr>
<th>Example</th>
<th>Description</th>
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<tbody>
<tr>
<td>Examples of when a CFP® professional assists another in violating the law, rules or regulations or the Code and Standards.</td>
<td></td>
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<tr>
<td>Examples of how to comply with the Code and Standards when a CFP® professional works with a team of individuals who are not CFP® professionals.</td>
<td></td>
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<tr>
<td>Examples of how to comply with the standard for recommending, engaging and working with additional persons.</td>
<td></td>
</tr>
<tr>
<td>Examples of how to comply with the standard for selecting, using and recommending technology.</td>
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EXISTING GUIDANCE RESOURCES
## Side-by-Side Comparison

### New Code and Standards vs. Legacy Standards of Professional Conduct

<table>
<thead>
<tr>
<th>CODE OF ETHICS AND STANDARDS OF CONDUCT</th>
<th>CURRENT STANDARDS OF PROFESSIONAL CONDUCT</th>
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<tbody>
<tr>
<td><strong>STANDARDS OF CONDUCT</strong></td>
<td><strong>CURRENT STANDARDS OF PROFESSIONAL CONDUCT</strong></td>
</tr>
<tr>
<td><strong>A. DUTIES OWED TO CLIENTS</strong></td>
<td><strong>Rule 1.4</strong> A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of financial planning, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board. <strong>Terminology:</strong> “Fiduciary” One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client.</td>
</tr>
<tr>
<td><strong>1. FIDUCIARY DUTY</strong></td>
<td><strong>Rule 4.5</strong> In addition to the requirements of Rule 1.4, a certificant shall make and/or implement only recommendations that are suitable for the client.</td>
</tr>
<tr>
<td><strong>a. Duty of Loyalty.</strong></td>
<td><strong>b. Duty of Care.</strong> 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.</td>
</tr>
<tr>
<td>i. Place the interests of the Client above the interests of the CFP® professional and the CFP® Professional’s Firm;</td>
<td>c. 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.</td>
</tr>
<tr>
<td>ii. 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</td>
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</tr>
<tr>
<td>iii. 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.</td>
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Commentary to the *Code and Standards*

**B1: FINANCIAL PLANNING DEFINITION**

One of CFP Board's goals in revising the *Standards* was to develop a shorter Financial Planning definition that provides greater accessibility to the public without sacrificing clarity. The *Code and Standards* sets forth a new Financial Planning definition that consists of thirty carefully chosen words, discussed below.

- "Financial Planning is a collaborative process:" CFP Board is committed to the fundamental principle that Financial Planning is a process, not a document or product. The process is set forth in the *Practice Standards*. Collaboration between the CFP® professional and the Client, and potentially others, is critical to the process.

- "That helps:" Financial Planning is not merely designed to help. Financial Planning does help. These two words make a strong statement that recognizes the value of Financial Planning, without equivocation.

- "Maximize a Client's potential:" The goal is for each Client to maximize his or her potential. Financial Planning does not guarantee a particular result, but it does help maximize a Client's potential. In developing the definition, CFP Board carefully considered a long list of alternatives to "maximize," including achieve, advance, enhance, foster, further, improve, increase, optimize, realize, and support. CFP Board determined that maximize is the word that best fits the definition because the goal of a CFP® professional providing Financial Planning is to make the most out of the Client's potential. Other terms come close to capturing that meaning, but fall short. Achieve and realize are more precise modifiers for goals than the potential to meet goals. Foster might be appropriate, but only if the second or third-level definition were to apply. Optimize implies perfection, which does not capture the intended meaning.
Question 7: How does CFP Board define Financial Planning? (Standard B.1 and Glossary.)

Answer 7: In the new Code and Standards, CFP Board incorporates a shorter Financial Planning definition that is more user-friendly, without sacrificing clarity. The revised Financial Planning definition, which is set forth in both the Glossary and Standard B.1 of the new Standards of Conduct, consists of 30 carefully chosen words:

Financial Planning is 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.

To best understand this new definition, it is helpful to consider each element in succession:

• “Financial Planning is a collaborative process”: CFP Board is committed to the fundamental principle that Financial Planning is a “process,” not a document or product. The Practice Standards provide the roadmap. (See Standard C) Collaboration between the CFP professional and the Client, and potentially others, is critical to the process.

• “That helps maximize a Client’s potential”: The goal of Financial Planning is to help maximize the Client’s potential. In developing the definition, CFP Board carefully considered a long list of alternatives to “maximize,” including achieve, advance, enhance, foster, further, improve, increase, optimize, realize, and support. CFP Board determined that “maximize” is the word that best fits the definition because the goal of a CFP professional providing Financial Planning is to make the most out of the Client’s potential. Maximize is qualified by “helps” and modifies the Client’s “potential,” but does not guarantee any specific financial performance.

• “For meeting life goals”: The purpose of Financial Planning is to develop and meet goals. The goal is to obtain what the Client wants in life. Financial goals are one means to that end, not the end itself. Therefore, defining the goals as “financial goals” would be too narrow.

• “Through Financial Advice”: Financial Advice is the financial planner’s tool. While a financial planner is focused on life goals, the advice that a financial planner provides is Financial Advice.

• “That integrates relevant elements of the Client’s personal and financial circumstances”: “Integration” is essential to Financial Planning. The process requires integration of relevant elements of the Client’s personal and/or financial circumstances. A financial planner examines a Client’s circumstances and evaluates how one element of the Client’s life may affect other elements. Relevant elements of a Client’s personal and financial circumstances vary from Client to Client, and may include the Client’s need for or desire to: develop goals, manage assets and liabilities, manage cash flow, identify and manage risks, identify and manage the financial effects of health considerations, provide for educational needs, achieve financial security, preserve or increase wealth, identify tax considerations, prepare for retirement, pursue philanthropic interests, and address estate and legacy matters.
Learning Objectives -- Participants will be equipped to:

1. Identify the structure and content of the revised *Code and Standards*, including significant changes and how the changes affect CFP® professionals.

2. Act in accordance with CFP Board’s fiduciary duty.

3. Apply the Practice Standards when providing Financial Planning.

4. Recognize situations when specific information must be provided to a Client.

5. Recognize and avoid, or fully disclose and manage, Material Conflicts of Interest.
**Question:** Which of the following is NOT a duty that a CFP® professional owes to a Client when engaging or recommending the selection or retention of additional persons to provide financial or Professional Services for a Client?

A. Have a reasonable basis for the recommendation or Engagement based on the person’s reputation, experience, and qualifications.
B. Disclose to the Client any arrangement by which someone who is not the Client will compensate or provide some other material economic benefit to the CFP® professional, the CFP® Professional’s Firm, or a Related Party for the recommendation or Engagement.
C. Assume reasonable and prudent supervisory responsibilities over the additional person.
D. When engaging a person to provide services for a Client, exercise reasonable care to protect the Client’s interests.
Question: Which of the following is NOT a duty that a CFP® professional owes to a Client when engaging or recommending the selection or retention of additional persons to provide financial or Professional Services for a Client?

A. Have a reasonable basis for the recommendation or Engagement based on the person’s reputation, experience, and qualifications.

B. Disclose to the Client any arrangement by which someone who is not the Client will compensate or provide some other material economic benefit to the CFP® professional, the CFP® Professional’s Firm, or a Related Party for the recommendation or Engagement.

C. Assume reasonable and prudent supervisory responsibilities over the additional person.

D. When engaging a person to provide services for a Client, exercise reasonable care to protect the Client’s interests.
FORMAT OF ADDITIONAL GUIDANCE
Checklists and Brochures

Checklists and Guides

Section C: Non-Financial Planning Engagement Checklist

Note: This section represents the minimum standards required of CFP professionals in all financial engagements. As a best practice, CFP professionals are encouraged to use the Financial Planning Engagement checklist in Section B in all client engagements.

1. Gathering Client Data:
   Rule 3.3
   - Have I obtained all the information necessary to fulfill my obligation to client? If not, have I informed the client of any and all material deficiencies?

2. Developing and presenting recommendations:
   Rules 1.4, 2.2 and 4.5
   - Do my recommendations place the interests of my client ahead of my own?
   - Have I disclosed conflicts of interest, sources of compensation and information that may be material to the client regarding our relationship that have not been previously disclosed?
   - Have I only made recommendations that are suitable for the client?

3. Implementing the Recommendations:
   Rules 1.4, 2.2 and 4.5
   - Does the recommendation that I am implementing on behalf of the client place the interests of my client ahead of my own?
   - Have I disclosed conflicts of interest, sources of compensation and information that may be material to the client regarding our relationship that have not been previously disclosed?
   - Have I implemented only recommendations that are suitable for the client?

Brochures, Diagrams, and Visual Aides
Frequently Asked Questions

**FINANCIAL PLANNING**

**Question 7: How does CFP Board define Financial Planning? (Standard B.I. and Glossary)**

Answer: In the new Code of Standards, CFP Board incorporates a shorter Financial Planning definition that is more user-friendly, without sacrificing clarity. The revised Financial Planning definition, which is set forth in both the Glossary and Standard B.I. of the new Standards of Conduct, consists of 30 carefully chosen words:

> Financial Planning is 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. To best understand this new definition, it is helpful to consider each element in succession:

1. **“Financial Planning is a collaborative process.”** CFP Board is committed to the fundamental principle that a financial planner should have a “process,” not a document or product. The Practice Standards provide the roadmap. (See Standard C.) Collaboration between the CFP® professional and the Client, and potentially others, is critical to the process.

2. **“That helps maximize a Client’s potential.”** The goal of Financial Planning is to help maximize the Client’s potential. In developing the definition, CFP Board carefully considered a long list of alternatives to “maximizes,” including achieves, advance, enhances, foster, further, improve, increase, optimize, realize, and support. CFP Board determined that “maximize” is the word that best fits the definition because the goal of a CFP® professional providing Financial Planning is to make the most out of the Client’s potential. Maximizing is qualified by “helps” and modifies the Client’s “potential,” but does not guarantee any specific financial performance.

3. **“For meeting life goals.”** The purpose of Financial Planning is to develop and meet goals. The goal is to obtain what the Client wants in life. Financial goals are one means to that end, not the end itself. Therefore, defining the goals as “financial goals” would be too narrow.

4. **“Through Financial Advice.”** Financial Advice is the financial planner’s tool. While a financial planner is focused on life goals, the advice that a financial planner provides is Financial Advice.

5. **“That integrates relevant elements of the Client’s personal and financial circumstances.”** Integration is essential to Financial Planning. The process requires integration of relevant elements of the Client’s personal and financial circumstances. A financial planner examines a Client’s circumstances and evaluates how one element of the Client’s life may affect other elements. Relevant elements of a Client’s personal and financial circumstances vary from Client to Client, and may include the Client’s need for or ability to achieve financial goals, manage assets and liabilities, identify and manage the financial effect of health considerations, provide for educational needs, achieve financial security, preserve or increase wealth, identify tax considerations, prepare for retirement, pursue philanthropic interests, and address estate and legacy matters.
Podcasts and Videos

How to Determine if You’re in a Financial Planning Engagement

Wednesday, May 14, 2014
2:00 pm ET

Disclosure Forms

Financial Planning Disclosure and Agreement Sample (Form FPDA)

Part I: Contact Information for Parties to the Agreement [See Rules 1.3 and 2.2(d)]
   A. Client’s Name and Contact Information (Form ADV Part 1, Item 1)
   B. Certificant and Employer’s (if applicable) Contact Information

Part II: Services to be Provided
   A. Describe the services to be provided under this Agreement with the Client [See Rule 2.1(a)] (Form ADV Part 1A, Item 5.G, Form ADV Part II, Item 1.A., 1.D., Item 4.A., 4.B., and 4.C, Item 10, Item 11.A. and 11.B., give general information on the services you offer clients. Don’t forget to provide a specific list of the services you provide to this particular client.)
   B. Describe the obligations and responsibilities of each party with respect to (see Rule 2.1(b)) [Be sure the services you plan to provide to your client are allowed (or not prohibited) in your Form ADV.]
      1. Defining goals, needs and objectives
      2. Gathering and providing appropriate data
      3. Determining the results if no changes are made to the client/prospect’s current course of action
      4. Determining recommendations and possible changes to the current course of action
      5. Determining implementation responsibilities
      6. Determining monitoring responsibilities

C. Description of other professionals and/or firms the certificant may work with to provide the necessary services listed under this agreement [See Rule 1.2(d) (Form ADV Part 1A, Schedule D, Section 3.3(a), Section 7.A., Section 7.B, Form ADV Part II, Item 12.B., Item 13.A. and 13.B.)]

Part III: Material Information Relevant to the Relationship
   A. Sources of Compensation [See Rule 2.2(a)]
      1. Describe how the certificant and/or certificant’s employer are compensated for the services provided [See Rule 2.2(a) (Form ADV Part I, Schedule D, Section 3.3(a), Part II, Item 9.A., 9.B., 9.C., 9.D., and 9.E., Item 11.A. and 11.B.)]
      2. Describe costs incurred that may be charged separately to the client [See Rule 2.1(a)] [This is probably defined in your client agreement.]

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Notice to CFP® Professionals: Importance of Accurate Compensation Disclosures

Originally issued August 7, 2013; Updated and Revised

Background: This notice provides an important reminder that CFP® professionals are required to disclose to clients and prospective clients information concerning the CFP® professional’s compensation. The purpose of this Notice is to remind CFP® professionals of both the scope of the term “compensation” and the obligation to make accurate disclosures of compensation methods on all public websites, including on related-party websites, public search engines, and public disclosure forms, including Form ADV. Disclosures of compensation methods must remain accurate throughout each client relationship.

What Constitutes Compensation?
The Rules of Conduct require CFP® professionals to disclose to clients and prospective clients certain information concerning the CFP® Professional’s compensation. In the terminology section set forth on page 4 of the Standards of Professional Conduct, CFP Board defines “compensation” as “any non-trivial economic benefit,” whether monetary or non-monetary, that a certified or related party receives or is entitled to receive for providing professional activities. Therefore, in addition to informing a client or prospective client of the compensation that the CFP® professional receives or is entitled to receive for providing professional activities, a CFP® professional is required to disclose the compensation that a related party, such as the CFP® professional’s employer, receives or is entitled to receive for providing professional activities. This includes:

- Compensation that the CFP® professional receives or is entitled to receive from a client or prospective client for providing professional activities;
- Compensation that related parties, such as the CFP® professional’s employer, receives or is entitled to receive from a client, prospective client, or other source for providing professional activities; and
- Compensation the CFP® professional receives or is entitled to receive from related parties, such as the CFP® professional’s employer or other sources, for providing professional activities.
We want you to have a comprehensive and practical understanding of the new *Code and Standards*.

CFP Board is preparing resources to guide CFP® professionals. An ethics continuing education course now addresses the new *Code and Standards*.

CFP Board resources – such as brochures, videos and compliance guidelines – will be posted on CFP Board’s website (www.cfp.net/Code) as they become available.

If there are resources that you believe would be valuable to you, your firm, or your clients, please email your suggestions to SRC@CFPBoard.org. The Standards Resource Commission will carefully consider your feedback as it develops future guidance materials.