



Defining the Planner-Client Relationship

When we hire a consultant to help us make important decisions in our lives, we start by understanding how that consultant will help us achieve our goals. We gain comfort from knowing what process the consultant will follow, and that we will be active participants in discussing and framing the issue, and agreeing on the solution.

Volatile markets and uncertain times have made consumers realize they need to be in control of their financial futures – and financial planners who meaningfully engage clients as partners in the process at the outset of the relationship will emerge as the advisors of choice.

Financial Planning Standards Board Ltd. (FPSB), the preeminent international financial planning standards authority for competent and ethical financial planners, believes consumers have the right to expect their financial planner to clearly outline the focus and scope of the professional relationship at the outset of the engagement. As part of its *Financial Planning Practice Standards*, FPSB encourages financial planners to establish and define the relationship with each client, and inform the client about the financial planning process, the services offered, and the financial planner's competencies and experience. When both the planner and the client know what to expect from and trust each other, the relationship can be successful.

Defining the relationship starts with helping the client understand the financial planning process and the qualifications of the financial planner. The planner may provide a description of his or her methodology and information about his or her professional licenses, experience and expertise. The client and planner will likely discuss the client's goals and expectations and how financial planning can help the client meet her financial and life goals.

"I take each client through the steps involved in working with me so that the client understands the comprehensive nature of the financial planning process," said Karen Schaeffer, a US-based CERTIFIED FINANCIAL PLANNER professional. "I find it important to outline all aspects of my relationship with the client in the initial meeting, so there are no surprises once we agree to work together and the client has the opportunity to ask as many questions as she needs to feel comfortable."

"As we define our relationship together, I may discover the client needs a skill I can't provide, or that I have a conflict of interest and need to refer the client to another professional," said Jim Kraft, a CFP professional from Canada. "I make sure to agree on the services I'll provide with the client, the terms of the engagement, how I will be paid, and what our process will be for terminating the agreement. I then make sure that agreement is captured in a written document, signed by both parties. That way, we both know what to expect from each other," he added.

Mutually defining the scope of the engagement establishes realistic expectations for both the client and the financial planner. It also allows the planner and client to decide whether the engagement will cover one, several, or all of the financial planning components, such as financial management, asset management, risk management, tax planning, retirement planning and estate planning. Not every financial planner follows a well-defined process for engaging clients. Advisors who have earned the CERTIFIED FINANCIAL PLANNER certification commit to following a set of *Financial Planning Practice Standards*, which include establishing and defining the relationship with the client. To learn more about the financial planning process, visit www.fpsb.org.

Practice Standard 1

Establish and Define the Relationship with the Client.

- 1.1 Inform the client about financial planning and the financial planning professional's competencies.
- 1.2 Determine whether the financial planning professional can meet the client's needs.
- 1.3 Define the scope of the engagement.