



FINANCIAL PLANNING STANDARDS BOARD



Financial Planning Practice Standards

TABLE OF CONTENTS

FPSB’s Financial Planning Practice Standards	2
Table: Financial Planning Process/Related Practice Activities	3
1. Establish and Define the Relationship with the Client	4
2. Collect the Client’s Information	6
3. Analyze and Assess the Client’s Financial Status	7
4. Develop the Financial Planning Recommendations and Present Them to the Client	8
5. Implement the Financial Planning Recommendations	9
6. Review the Client’s Situation	11
Glossary	12

FPSB'S FINANCIAL PLANNING PRACTICE STANDARDS

FPSB has defined standards of performance that:

- Establish the level of practice expected of a financial planning professional engaged in the delivery of financial planning to a client;
- Establish norms of professional practice and allow for consistent delivery of financial planning by financial planning professionals;
- Clarify the respective roles and responsibilities of financial planning professionals and their clients in financial planning engagements; and
- Enhance the value of the financial planning process.

Financial planning is the process of developing strategies to assist clients in managing their financial affairs to meet life goals. The process of financial planning involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including inter-relationships among often conflicting objectives. FPSB's Financial Planning Practice Standards establish the level of professional practice reasonably expected of financial planning professionals during financial planning engagements, regardless of practice type, setting, location or method of compensation. FPSB expects that clients of financial planning professionals will benefit from a globally accepted set of Practice Standards for financial planning professionals.

FPSB has incorporated compliance with professional standards of practice into the global standards for CFP certification. To ensure these practice obligations are understood, FPSB Members incorporate content on practice standards, and their application, into territory-specific CFP certification standards. FPSB Members further adapt and enforce FPSB's practice standards in their respective territories.

Format of the Practice Standards

Each Practice Standard is a statement that relates to an element of the financial planning process. The statement is followed by an explanation of the Practice Standard's intent, which guides interpretation and application of the Practice Standard (based on a standard of reasonableness). The explanation is not intended to establish a professional standard or duty beyond what is contained in the Practice Standard itself.

The Practice Standards are not intended to prescribe the services to be provided or step-by-step procedures for providing any particular service. The financial planning process is an integrated one; functions may be combined and/or revisited based on the ongoing relationship between the financial planning professional and the client.

Applicability of the Practice Standards

A financial planning professional should always consider all aspects of the client's financial situation in formulating strategies and making recommendations, and should follow these Practice Standards to the extent that they apply to any given situation. At least some of these Practice Standards apply both to comprehensive financial planning and to the provision of services that only represent one of the components of financial planning (i.e., Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

Standard 1, dealing with establishing and defining the relationship with the client, applies any time a financial planning professional provides financial planning or components of financial planning to a client. This serves to establish clear and appropriate expectations for the client and the financial planning professional. Standards 2 through 6 apply to the extent that they are relevant to the financial planning engagement (the scope of the engagement document will dictate the applicability of the standards).

Financial Planning Process	Related Practice Activities
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.
2. Collect the client's information.	2.1: Identify the client's personal and financial objectives, needs and priorities. 2.2: Collect quantitative information and documents. 2.3: Collect qualitative information.
3. Analyze and assess the client's financial status.	3.1: Analyze the client's information. 3.2: Assess the client's objectives, needs and priorities.
4. Develop the financial planning recommendations and present them to the client.	4.1: Identify and evaluate financial planning strategies. 4.2: Develop the financial planning recommendations. 4.3: Present the financial planning recommendations to the client.
5. Implement the client's financial planning recommendations.	5.1: Agree on implementation responsibilities. 5.2: Identify and present product(s) and service(s) for implementation.
6. Review the client's situation.	6.1: Agree on responsibilities and terms for review of the client's situation. 6.2: Review and re-evaluate the client's situation.

1. ESTABLISH AND DEFINE THE RELATIONSHIP WITH THE CLIENT

1.1 Inform the client about financial planning and the financial planning professional's competencies.

The financial planning professional informs the client about the financial planning process, the services the financial planning professional offers, and the financial planning professional's competencies and experience.

Explanation

At the beginning of the client-planner relationship, the financial planning professional engages with the client to identify the client's stated personal and financial objectives; needs; priorities; and prior financial planning experience. The financial planning professional should evaluate the client's objectives in the context of the client's broader, long-term financial and life goals. {The financial planning professional can support the client to define, and plan for, their objectives during practice activity 3.2.} The financial planning professional also seeks to understand the client's purpose in seeking assistance from a financial planning professional to determine whether to provide comprehensive or topic-specific financial planning. The financial planning professional helps the client understand the financial planning process and the nature of financial planning engagements and provides information on the financial planning professional's qualifications. This information may include how financial planning can help the client meet goals; a description of the methodology the financial planning professional uses to provide financial planning services; and information about the financial planning professional's licenses, credentials, experience and expertise. The financial planning professional makes all disclosures to the client as required by applicable regulations at the beginning of the client-planner relationship, and throughout the financial planning process as appropriate or required. The financial planning professional may provide preliminary information on his or her services, competencies and experience, or wait to understand the client's needs before providing this information. The financial planning professional needs to develop a relationship of understanding and trust with the client that supports two-way communication and information sharing during the discovery process.

1.2 Determine whether the financial planning professional can meet the client's needs.

The financial planning professional and the client determine whether the services offered by the financial planning professional and his or her competencies meet the needs of the client. The financial planning professional considers his or her skills, knowledge and experience in providing the services requested or likely to be required by the client. The financial planning professional determines if he or she has, and discloses, any conflict(s) of interest.

Explanation

The financial planning professional provides information to the client to allow the client to determine if the professional can meet his or her needs. This could include information about the financial planning professional's areas of technical competence, experience or approach to working with clients; it offers the opportunity for both parties to determine whether they can establish an effective working relationship. The client and financial planning professional mutually consider if the financial planning professional, and/or the professional's staff, have the appropriate abilities, skills and knowledge to meet the client's expectations based on the client's stated financial and life goals, priorities and objectives.

The financial planning professional considers if there are any personal conflicts of interest that could affect his or her ability to work successfully with the client. The financial planning professional determines if there are any other circumstances, relationships or facts that would place the interest(s) of the financial planning professional in conflict with the client's interest(s), or the interest(s) of one client in conflict with another client. The financial planning professional advises the client of any such conflicts. The financial planning professional also discusses how he or she will protect the confidentiality of the client's information.

1.3 Define the scope of the engagement.

The financial planning professional and the client agree on the services to be provided. The financial planning professional describes, in writing, the scope of the engagement before any financial planning is provided, including details about: the responsibilities of each party (including third parties); the terms of the engagement; and compensation and conflict(s) of interest of the financial planning professional. The scope of the engagement is set out in as writing in a formal document signed by both parties or formally accepted by the client and includes a process for terminating the engagement.

Explanation

Mutually defining the scope of the engagement establishes realistic expectations for the client and the financial planning professional. Clear and mutually agreed expectations support successful outcomes for each party in the engagement. The financial planning professional and the client may agree that the scope of the engagement covers one, several or all of the Financial Planning Components (i.e., Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

The financial planning professional and client may also agree on the frequency of contact, the client's communication preferences, whether the financial planning professional will use coaching or other behavioral techniques, and other components the parties agree are important. A written document ensures mutual understanding and agreement between the financial planning professional and the client about the terms of the financial planning engagement. In setting out the terms in an engagement letter or disclosure document, the financial planning professional includes the following:

- Specific services to be included or excluded, such as implementation and review;
- The financial planning professional's compensation arrangements with respect to the engagement, including fees to be paid by the client;
- Existing conflicts of interest, including those involving compensation arrangements with third parties, and agreement to disclose subsequent conflicts of interest if or when they occur;
- Specific parties to the engagement, including details of any legal and agency relationships which may exist;
- Assurance of protection of client confidentiality;
- Duration of the engagement;
- The client's responsibilities, including the full and timely disclosure of information;
- The financial planning professional's responsibilities;
- Provisions for terminating the client engagement; and
- Procedures for resolving the client's claims and complaints against the financial planning professional.

Additional information that may form part of the formal written document includes:

- The potential need to use other professionals during the engagement;
- An explanation of qualifications, licenses and experience of individuals who will work with the client;
- Specific limitations on the use of client information;
- The process to be followed when the relationship is terminated by either party, by mutual consent or in extenuating circumstances where the financial planning professional can no longer fulfil his or her professional responsibilities and the steps to be taken to transfer the client to another professional; and
- Any other information necessary to adequately inform the client.

In defining the scope of the engagement, the financial planning professional assists the client in clarifying and prioritizing near-term and long-term objectives, and discusses with the client the merit and feasibility of any objective that appears to be unrealistic.

2. COLLECT THE CLIENT'S INFORMATION

2.1 Identify the client's personal and financial objectives, needs and priorities.

The financial planning professional and the client identify the client's personal and financial objectives, needs and priorities that are relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The financial planning professional strives to clearly understand the client's current situation and financial objectives, needs and priorities. The client's life goals, and how they relate to his or her financial objectives, provide guidance to and help structure the financial planning engagement. Beyond the client's stated goals, this is an opportunity for the financial planning professional to ask and learn about the client's experience with finances, attitudes towards money and behaviors around and motivations towards financial matters to understand how these may impact the client's financial decision making and the financial planning professional's recommendations. The financial planning professional assists the client in clarifying and prioritizing near-term and long-term objectives and discusses with the client the merit and feasibility of any objective that appears to be unrealistic.

2.2 Collect quantitative information and documents.

The financial planning professional collects sufficient quantitative information and documents about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The financial planning professional strives to collect complete and accurate client information and documents relevant to the scope of the engagement. Some of this information may be collected through the use of appropriate technology, such as online questionnaires or through online access to the client's financial records or bank accounts. The financial planning professional relies on information provided by the client and other information sources as inputs into the analysis. The financial planning professional communicates to the client the importance of collecting complete, current and accurate information. If the financial planning professional is unable to collect information necessary to develop and support recommendations, the financial planning professional

communicates this to the client, explaining how these limitations impact the engagement and the financial planning recommendations. These limitations could result in the financial planning professional preparing a revised engagement document or terminating the client engagement.

2.3 Collect qualitative information.

The financial planning professional collects sufficient qualitative information about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The financial planning professional gathers information to understand the client's values, attitudes, expectations and financial experiences. This includes using effective communication skills such as active listening, posing questions and displaying curiosity and a spirit of inquiry with the client throughout the financial planning process. The financial planning professional determines the client's level of sophistication and financial literacy. The financial planning professional should understand that his or her understanding of qualitative aspects of the client will be subjective, and the financial planning professional's understanding may be limited by what the client reveals. A financial planning professional may gather qualitative and quantitative information at one time from the client, through a communication or engagement, or through multiple online or in-person interactions. The financial planning professional confirms with the client the accuracy and completeness of the quantitative and qualitative information. The professional shares with the client a preliminary understanding of the client's situation based on the information collected.

3. ANALYZE AND ASSESS THE CLIENT'S FINANCIAL STATUS

3.1 Analyze the client's information.

The financial planning professional analyzes the client's information, subject to the scope of the engagement, to gain an understanding of the client's financial situation.

Explanation

The financial planning professional analyzes the client's current situation and information and works with the client to resolve obvious factual omissions and/or inconsistencies, ambiguities or discrepancies in the client's information or stated goals or objectives. The primary purpose of the analysis is to identify viable ways of meeting the client's personal and financial goals, objectives, needs and priorities based on the information collected. As part of this analysis, the financial planning professional uses client-specified, mutually agreed upon objectives and other reasonable assumptions, which may include the client's retirement age, life expectancy, income needs, risk factors, time horizon and special needs, as well as economic assumptions such as inflation rates, tax rates and investment returns. Typically, the financial planning professional also relies on information such as balance sheets, cash flow calculations, risk position and income statements to understand the client's financial situation.

3.2 Assess the client's objectives, needs and priorities.

The financial planning professional assesses the strengths and weaknesses of the client's current financial situation and compares them to the client's objectives, needs and priorities.

Explanation

The financial planning professional assesses the opportunities, constraints and risks presented by the client's financial situation and current course(s) of action and determines the likelihood of the client reaching his or her objectives by continuing present activities or making anticipated changes. This includes assessing the client's ability to respond to unexpected personal and financial events. The client may choose to be involved in this process and provide information to the financial planning professional on feasible trade-offs or acceptable alternative routes that would still meet the client's stated objectives, needs and priorities. The financial planning professional may undertake this activity iteratively throughout the financial planning process as the client's life situation or goals changes or his or her preferences become clearer. The financial planning professional may identify other issues that may impact the client's ability to achieve objectives, which the financial planning professional discusses with the client. It may be appropriate for the financial planning professional to amend the scope of the engagement and/or to obtain additional information.

4. DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS AND PRESENT THEM TO THE CLIENT**4.1 Identify and evaluate financial planning strategies.**

The financial planning professional considers one or more strategies relevant to the client's current situation that could reasonably meet the client's objectives, needs and priorities.

Explanation

The financial planning professional identifies possible strategies for achieving the client's confirmed objectives. The financial planning professional provides appropriate information to the client to support the client's understanding of each strategy and how it reasonably addresses the client's objectives, needs and priorities. The evaluation of strategies may involve discussing the importance, priority and timing of the client's objectives and needs; considering multiple assumptions; and/or conducting research or consulting with other professionals. This process may result in a single strategy, multiple strategies or no change to the client's current course(s) of action. More than one strategy may meet the client's objectives, needs and priorities. Strategies and consequences identified by the financial planning professional may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

4.2 Develop the financial planning recommendations.

The financial planning professional develops the financial planning recommendations based on the selected strategies to reasonably meet the client's confirmed objectives, needs and priorities.

Explanation

After identifying and evaluating various strategies and the client's current course(s) of action, the financial planning professional develops financial planning recommendations that can reasonably meet the client's objectives, needs and priorities. The recommendations may be an independent action or a combination of actions which may need to be implemented collectively. They may also need to be modified to reflect feedback

from the client on what is considered reasonable and feasible. The recommendation(s) may be to continue the current course(s) of action. If the financial planning professional recommends a change, it may be general or specific in nature. It may be necessary for the financial planning professional to recommend that the client modify an objective, need or priority. The financial planning professional may use professional discernment and judgement to evaluate multiple strategies to develop recommendations and evaluate among multiple strategies. Given the nature of professional advice, the recommendations developed by the financial planning professional may differ from those of other advisers, yet appropriately meet the client's objectives, needs and priorities. In some cases, a financial planning professional and the client may choose to build the recommendations together, based on the client's goals and opinions about the feasibility of an action, as well as on the financial planning professional's technical expertise. It is important that the financial planning professional properly document this part of the financial planning process.

4.3 Present the financial planning recommendations to the client.

The financial planning professional presents the financial planning recommendations and the supporting rationale in a way that allows the client to make an informed decision.

Explanation

When sharing the financial planning recommendations with the client, the financial planning professional helps the client understand his or her current situation, the factors and assumptions that are critical to the recommendation(s), the risks of the recommended strategy(ies), and the likely impact of the recommendation(s) on the client's ability to meet stated objectives. The financial planning professional avoids presenting opinion as fact. The financial planning professional informs the client that the recommendations will likely need to be modified as the client's personal, economic and other conditions change. At this stage of the financial planning process, the client can assess whether the recommendations are appropriate, whether the client is willing to act on the recommendation(s), and whether modifications are necessary. When the financial planning professional is developing recommendations together with the client, the financial planning professional works to ensure the client is engaged, providing feedback and reactions to the preliminary and final recommendations.

5. IMPLEMENT THE FINANCIAL PLANNING RECOMMENDATIONS

5.1 Agree on implementation responsibilities.

The financial planning professional and the client agree on implementation responsibilities that are consistent with the scope of the engagement, the client's acceptance of the financial planning recommendations, and the financial planning professional's ability to implement the financial planning recommendations.

Explanation

The financial planning professional and client mutually agree on implementation of the recommendations, which may include products, services or changes in the client's actions, including the client's purchasing or savings behavior. The financial planning professional and the client determine the prioritization, respective responsibilities and contingencies with regard to implementing the recommendations. The financial planning professional confirms the client's understanding and obtains informed consent. The financial planning

professional may change the scope of the engagement, as originally defined, based on an agreement reached with the client. The financial planning professional's responsibilities may include: identifying activities necessary for implementation; clarifying the respective responsibilities of the financial planning professional and the client; referring to, and coordinating with, other professionals; sharing client information as authorized; and selecting and securing products and/or services. The financial planning professional explains the rationale for referrals and the qualification(s) of referred professional(s). If a financial planning professional is engaged by the client to provide only the implementation step of the financial planning process, the financial planning professional should clearly define this in writing in the scope of the engagement with the client. This scope may include the extent to which the financial planning professional relies on information, analysis or recommendations provided by others.

5.2 Identify and present product(s) and service(s) for implementation.

Based on the scope of the engagement, the financial planning professional identifies and presents appropriate product(s) and service(s) that are consistent with the financial planning recommendations accepted by the client.

Explanation

The financial planning professional recommends products, services or actions that are suitable to the client's financial situation and reasonably address the client's objectives, needs and priorities. The financial planning professional uses professional judgment in identifying the products, services or financial behavior changes that are in the client's interest. Professional judgment incorporates both qualitative and quantitative information. The financial planning professional may present recommendations for products, client actions or professional services to the client concurrently with financial planning strategies and recommendations. Upon the client's understanding and comfort with the recommended product(s) and strategies, the financial planning professional obtains the client's commitment to support implementation of the planning recommendations.

6. REVIEW THE CLIENT'S SITUATION

6.1 Agree on responsibilities and terms for review of the client's situation.

The financial planning professional and client mutually define and agree on terms for reviewing and reevaluating the client's situation, including goals, risk profile, lifestyle and other relevant changes.

Explanation

Since the financial planning process is a dynamic process that may require updates based on changes in the client's personal, economic or other circumstances, the financial planning professional and the client mutually agree on, and understand, their respective roles in ensuring that the client's situation is appropriately reviewed. In instances when a client has real-time, ongoing or integrated access to his or her financial data, and the client and financial planning professional work collaboratively on decision-making, the review cycle may be more nuanced, frequent, interactive and continuous rather than at pre-defined or structured times during the financial planning engagement. The financial planning professional and client mutually define the nature and scope of the review activities and the role and responsibilities of each party in the process. The review process may require modifications to the original scope of engagement or initiation of a new engagement. The financial planning professional periodically reviews progress towards goals with the client, and updates or adjusts the financial planning recommendations as necessary.

6.2 Review and re-evaluate the client's situation.

If conducting a review, the financial planning professional and the client review the client's situation to assess progress toward achievement of the objectives of the financial planning recommendations, determine if the recommendations are still appropriate, and confirm any revisions mutually considered necessary.

Explanation

The review process may be initiated by the client or the financial planning professional for various reasons, such as due to a change in the client's objectives, the client's wish to (re)confirm the current planning recommendations, or due to changes in the financial environment or the client's situation or plans. The review may be a periodic review scheduled by the financial planning professional to confirm the client's commitment to the financial planning recommendations or to adjust as necessary, or the review may be integrated into ongoing interactions between the financial planning professional and the client. The review process may include: confirming that the recommendations agreed on by the client and the financial planning professional have been implemented; assessing progress toward, and achievement of, the objectives of the recommendations to date; re-evaluating initial or subsequent assumptions made by the financial planning professional for reasonableness; determining whether changes in the client's circumstances or objectives require adjustments to the financial planning recommendations; and mutually agreeing on any required changes. As the client's circumstances and needs change, a financial planning professional may need to revisit earlier steps in the financial planning process with the client.

GLOSSARY

Client A person, persons or related entities with whom the financial planning professional has a formal planner client relationship.

Compensation Any non-trivial economic benefit, whether monetary or non-monetary, that a financial planning professional or related party receives or is entitled to receive for providing professional activities.

Comprehensive Financial Planning The process of developing strategies to assist clients in managing their financial affairs to meet life goals, integrating across the six Financial Planning Components (i.e., Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

Financial Planning The process of developing strategies to assist clients in managing their financial affairs to meet life goals. In practice, financial planning involves reviewing all the relevant aspects of the client's current situation and comparing them with the client's desired situation, then designing a plan to assist clients to reach their goals.

Financial Planning Process The process by which financial planning professionals develop strategies to assist clients in managing their financial affairs to meet life goals which includes: 1) Establishing and defining the relationship with the client; 2) Collecting the client's information; 3) Analyzing and assessing the client's financial status; 4) Developing the financial planning recommendations and presenting them to the client; 5) Implementing the client's financial planning recommendations; and 6) Reviewing the client's situation.

Sufficient Information All relevant information necessary for the financial planning professional to make an informed analysis and recommendation.

Terms of Review The frequency, scope, applicable fees and other conditions relevant to the financial planning professional's review and re-evaluation of the client's situation.