

CANADIAN
FINANCIAL
PLANNING

DEFINITIONS,
STANDARDS &
COMPETENCIES

Canadian Financial Planning
Definitions, Standards & Competencies

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Introduction

The Financial Planning Standards Council (FPSC) and the Institut québécois de planification financière (IQPF), the two organizations that establish and maintain the standards for the financial planning profession in Canada, have joined forces in creating a unified set of definitions, standards and competencies for individuals holding the F.Pl. and CERTIFIED FINANCIAL PLANNER®/ CFP® designations. Individuals possessing these two designations represent financial planners who must adhere to the highest standards of competence, ethical behaviour and professionalism in Canada.

Until now, there was no unified source for clarity on financial planning definitions and professional financial planning standards. FPSC and IQPF now provide *The Canadian Financial Planning Definitions, Standards & Competencies* as the definitive source for what to expect of financial planners across the country. Through association with the Financial Planning Standards Board, representing over 150,000 financial planners worldwide, the Canadian standards for financial planning are consistent with the highest professional standards in financial planning internationally.

Definitions

Considerable industry consultation went into the formation of a single set of definitions that solidify what constitutes “financial planning”, what constitutes a “financial planner” and what constitutes a “financial plan”.

Financial planning varies in scope and complexity ranging from planning advice that is straightforward and narrow, requiring limited integration across financial planning areas to those engagements that are complex and involved, requiring extensive integration across financial planning areas. In all cases, however, it is the financial planner’s ability to competently and professionally gain a full picture of the individual’s goals, needs and priorities, and the interdependencies among them that provides the greatest value to clients.

By definition, a financial planner is an individual capable of providing financial planning advice at the highest level of complexity required by the profession. As a professional, a financial planner holds himself accountable to professional oversight.

A financial plan is a written report that assesses an individual's current financial situation and includes the relevant personal and financial assumptions, information analysis, evaluation of financial strategies and recommendations to assist in achieving an individual's personal goals, needs and priorities. While financial planning may or may not result in a full blown financial plan, it's clear¹ that all Canadians can benefit from the professional advice of a financial planner.

Standards

In addition to providing a single set of financial planning definitions, FPSC and IQPF have produced unified standards of ethics, practice and competence for all financial planners. These standards set out the principles of ethical behaviour that financial planners are expected to follow and the process of financial planning that financial planners are expected to adhere to.

The Competency Framework serves as the guiding construct for the detailed knowledge, skills and abilities expected of financial planners as outlined in the respective competency profiles provided by FPSC and IQPF. It illustrates the central nature of the

¹ 2013 Financial Planning Standards Council and Financial Planning Foundation: *Value of Financial Planning*; <http://www.fpsc.ca/value-financial-planning>

Fundamental Financial Planning Practices. These are the competencies that apply to all financial planning areas and relate to the integration and interrelationships among them. The Framework also highlights the requirement for professional judgment, reasoning, interpersonal and communication skills in the fulfillment of all elements of competency. These professional skills represent fundamental abilities that characterize a true financial planner.

This document serves several distinct audiences – financial planners, candidates for certification, educators, employers and the Canadian public – by providing clarity around what to expect of financial planners and by providing an appreciation for the rigorous standards and expectations of those who meet the definition of a financial planner.

We would like to extend our gratitude to the diverse group of financial planners, from coast to coast, who gave of their time and expertise in the refinement of these unified Canadian benchmarks in financial planning. We would also like to express our appreciation to the many firms that were consulted, across multiple financial sectors, in the development of the definitions, standards and competency requirements outlined in this document.

For more information on FPSC and IQPF, visit www.fpsc.ca and www.iqpf.org.

The Financial Planning Standards Council (FPSC) and the Institut québécois de planification financière (IQPF) are the two organizations that establish and maintain the standards for the financial planning profession in Canada.

Definitions

Financial Planning

Financial planning is a disciplined, multi-step process of assessing an individual's current financial and personal circumstances against his future desired state and developing strategies that help meet his personal goals, needs and priorities in a way that aims to optimize the allocation of his resources. Financial planning takes into account the interrelationships among relevant financial planning areas in formulating appropriate strategies. Financial planning areas include financial management, insurance and risk management, investment planning, retirement planning, tax planning, estate planning and legal aspects. Financial planning is an ongoing process involving regular monitoring of an individual's progress toward meeting his personal goals, needs and priorities, a re-evaluation of financial strategies in place and recommended revisions, where necessary.

Financial Planner

A financial planner is an individual who possesses the requisite knowledge, skills, abilities and professional judgment to capably provide objective financial planning advice at the highest level of complexity required by the profession. He must agree to be accountable to a professional oversight organization's practice standards and code of ethics that include an obligation to put his clients' interests before his own.

Financial Plan

A financial plan is a written report that addresses an individual's personal goals, needs and priorities. It takes into account relevant financial planning areas and the interrelationships among them. The financial planning areas include financial management, insurance and risk management, investment planning, retirement planning, tax planning, estate planning and legal aspects.

Each section of the financial plan covers the individual's current financial situation, the analysis performed to identify issues and opportunities, the evaluation of relevant financial strategies and recommendations to help meet the individual's personal goals, needs and priorities.

A plan includes the personal information and financial assumptions on which it is based. It also includes a disclaimer noting its reliance on information provided by the individual and assumptions made. A plan provides a list of action steps, including what needs to be done, by whom and when.

*Code of
Ethics and
Financial
Planning
Practice
Standards*

FPSC and IQPF have agreed to a common set of principles and practice standards to which individuals holding the F.Pl. and CFP® designations must abide. They define the ethical and performance standards which clients should expect from a professional relationship.

The Code of Ethics outlines the principles of ethical conduct that form the foundation of any profession and is the moral mandate that all stakeholders can use to assess the conduct of professionals.

The Financial Planning Practice Standards provide the process of financial planning that must be followed in any client engagement where financial planning services are offered.

Throughout the Code of Ethics and Financial Planning Practice Standards, whenever “financial planner” is referred to, it should be taken to read financial planner (i.e. F.Pl. and CFP® professional) and FPSC Level 1™ Certificant in Financial Planning.

Code of Ethics

Preface

The Code of Ethics (the Code) represents the moral mandate that governs the conduct of financial planners. It sets out eight ethical principles that govern their conduct in all professional activities, and reflects the standards of ethical conduct that such professionals must demand of themselves and their peers. Upholding these ethical standards provides the public with the necessary guarantees concerning the quality of the professional services offered by financial planners in Canada.

The Code of Ethics represents the moral mandate that governs the conduct of financial planners.

Application of the Code

Each principle of the Code presents the expected behaviours of financial planners. The Code is designed to guide professionals in their practice but does not undertake to define the standards of professional conduct of financial planners for the purposes of civil liability. The Code represents the commitment of the financial planner to the public, the industry and the profession.

For the Public

A strong Code is first and foremost about serving the public. It is the financial planner's pledge to clients. As a client, you should view the Code as setting your expectations for how you will be treated by your financial planner. The Code should assure you that you are working with a professional who is committed to ethically, competently and diligently helping you achieve your life goals.

For the Financial Services Industry

The F.Pl. and CFP designations allow the financial services industry to easily identify a professional with a documented mastery of financial planning skills, direct experience to draw upon and a commitment to ethical practice.

For Financial Planners

The Code provides the cornerstone by which financial planners practice their profession. As a professional, you should expect adherence to the Code from yourself and your financial planner colleagues. The integrity and future of the financial planning profession rests on the universal adherence to these principles.

*The Code provides the
cornerstone by which financial
planners practice their profession.*

*The
Principles
of the Code*

PRINCIPLE 1: CLIENT FIRST

A financial planner shall always place the client's interests first.

PRINCIPLE 2: INTEGRITY

A financial planner shall always act with integrity.

PRINCIPLE 3: OBJECTIVITY

A financial planner shall be objective when providing advice or services to clients.

PRINCIPLE 4: COMPETENCE

A financial planner shall develop and maintain the abilities, skills and knowledge necessary to competently provide advice or services to clients.

PRINCIPLE 5: FAIRNESS

A financial planner shall be fair and open in all professional relationships.

PRINCIPLE 6: CONFIDENTIALITY

A financial planner shall maintain confidentiality of all client information.

PRINCIPLE 7: DILIGENCE

A financial planner shall act diligently when providing advice or services to clients.

PRINCIPLE 8: PROFESSIONALISM

A financial planner shall act in a manner that reflects positively upon the profession.

Financial Planning Practice Standards

Preface

The Financial Planning Practice Standards (the Practice Standards) provide guidance to financial planners when engaged in financial planning activities with clients.

Outlining these Practice Standards:

- ~ establishes the level of practice expected of financial planners who are engaged in the delivery of financial planning services to a client;
- ~ establishes norms of professional practice to promote a consistent delivery of financial planning services by financial planners;
- ~ clarifies the respective roles and responsibilities of financial planners and their clients in financial planning engagements, protecting both parties from possible misunderstandings; and
- ~ serves the national public interest by defining a level of service that protects the interests of clients.

*Application
of the
Practice
Standards*

The Practice Standards outline the process to be followed in any client engagement where financial planning services are being offered, not just when delivering a comprehensive financial plan.

In the unlikely event that a practice standard is in conflict with a legal obligation, the financial planner is expected to adhere to the legal obligation. Where a practice standard is in conflict with an employer's expectation, the professional remains bound by the Practice Standards and may choose to seek guidance from their employer regarding irreconcilable conflicts of interest.

The Practice Standards outline the process to be followed in any client engagement where financial planning services are being offered.

<i>The Practice Standards</i>	<p>EXPLAIN THE ROLE OF THE FINANCIAL PLANNER AND VALUE OF THE FINANCIAL PLANNING PROCESS</p> <p>Ensure the client understands the role of a financial planner and the value of the process of financial planning in identifying and meeting the client’s personal goals, needs and priorities.</p>
	<p>DEFINE THE TERMS OF THE ENGAGEMENT</p> <p>Work with the client to define and agree on the scope of the financial planning engagement, whether an initial or review engagement.</p>
	<p>IDENTIFY THE CLIENT’S GOALS, NEEDS AND PRIORITIES</p> <p>Discuss the client’s personal goals, needs and priorities before identifying possible strategies or making recommendations.</p>
	<p>GATHER THE CLIENT’S INFORMATION</p> <p>Gather sufficient quantitative and qualitative information relative to the engagement before identifying possible strategies or making recommendations.</p>

The Practice Standards

ASSESS THE CLIENT'S CURRENT SITUATION

Identify and evaluate the strengths and weaknesses in the client's financial situation, perform required calculations, develop needed projections, and analyze and integrate the resulting information relative to the client's personal goals, needs and priorities.

IDENTIFY AND EVALUATE APPROPRIATE FINANCIAL PLANNING STRATEGIES

Identify and assess the possible financial planning strategies to achieve the client's personal goals, needs and priorities.

DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS

Develop and prioritize recommendations to help meet the client's personal goals, needs and priorities and aim to optimize his financial position.

COMPILE AND PRESENT THE FINANCIAL PLANNING RECOMMENDATIONS AND SUPPORTING RATIONALE

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

<p><i>The Practice Standards</i></p>	<p>DISCUSS IMPLEMENTATION ACTIONS, RESPONSIBILITIES AND TIME FRAMES Gain the client's agreement regarding implementation actions, responsibilities and time frames. Stress the importance of a review and ongoing monitoring of the client's situation relative to his personal goals, needs and priorities periodically and as needed based on material changes in personal or external circumstances.</p>
	<p>IMPLEMENT THE FINANCIAL PLANNING RECOMMENDATIONS Complete the implementation actions for which the financial planner has assumed responsibility.</p>

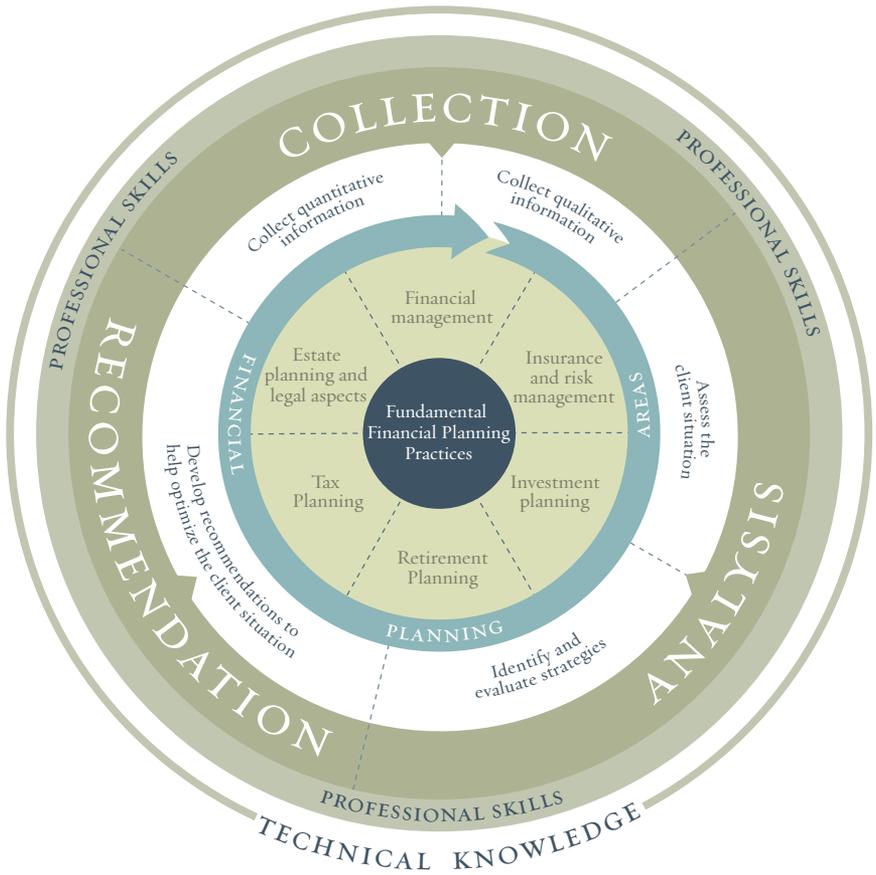
Competency Framework

Preface

The Competency Framework for financial planners (the Framework) is the foundation for the Competency Profile for CFP professionals and individuals holding the F.Pl. designation.

It provides the structure and serves as the guiding construct for the detailed knowledge, skills and abilities expected of financial planners. It illustrates the interrelationships among the fundamental financial planning practices, financial planning areas, professional skills and technical knowledge that are inherent in the profession of financial planning.

*The Competency Framework
serves as the guiding construct for
the knowledge, skills and abilities
expected of Financial Planners.*



The Competency Framework illustrates the central nature of the fundamental financial planning practices.

*Financial
Planning
Functions*

Underlying the professional practice of financial planning are three basic functions defined below.

I **COLLECTION**

Gathers the client's information

Collection refers to the gathering of both quantitative and qualitative information, the identification of relevant facts and documentation, and the preparation and organization of information in a way that allows for appropriate analysis.

II **ANALYSIS**

Assesses the client's current situation and identifies and evaluates appropriate strategies

Analysis competencies encompass identifying issues and opportunities, performing required calculations, developing projections, and preparing and assessing the resulting information in order to identify and evaluate appropriate strategies.

III **RECOMMENDATION**

Develops recommendations to help optimize the client's situation

Recommendation competencies focus on the development of recommendations that help meet the client's personal goals, needs and priorities and strive to optimize the client's situation.

Although there is often a logical sequence to these functions (first collect data, then analyze the data and evaluate strategies and finally make appropriate recommendations), in practice, the financial planner will move back and forth between functions during any client engagement. For example, certain analysis may point to the need for more data collection.

Financial Planning Areas

Within each financial planning function of Collection, Analysis and Recommendation, elements of competency are assigned to one of the following areas – Financial Management, Insurance and Risk Management, Investment Planning, Retirement Planning, Tax Planning, Estate Planning and Legal Aspects.

The financial planning areas are defined below.

Financial Management

Financial management focuses on the client's current and future financial position. The client's financial position is characterized by his net worth, cash flow and budget. A net worth statement reflects the client's financial position at a point in time. Information regarding income and cost of living allows the financial planner to anticipate future net worth based on the client's inclination to save, spend and borrow.

Insurance and Risk Management

Insurance and risk management focuses on strategies designed to manage the client's exposure to an unexpected financial loss due to death, health issues, property damage, business and other risks. The financial planner compares the client's risk exposure to the level of available assets and insurance coverage in place to assess gaps and prioritize risk management needs.

Investment Planning

Investment planning focuses on how to best manage the client's investment assets based on his past experience, attitudes, objectives, time horizon, risk tolerance and need for income. It involves consideration of the client's current investment holdings, including not only cash, bonds and stocks, but also land and other real estate holdings.

Retirement Planning

Retirement planning focuses on the client's financial well-being after employment has stopped. It involves a comparison of the client's desired lifestyle in retirement to their current retirement assets, planned savings, expected sources of retirement income, such as government and employer benefits, and return on investment to help ensure adequate retirement income over his lifetime. Retirement savings must be carefully monitored as circumstances change over time.

Tax Planning

Tax planning focuses on the client's current and future tax obligations and strategies employed to minimize or defer taxation on personal and/or business income. Tax planning strategies are designed to help strengthen the client's financial position in current and future tax periods and better enable him to meet his personal goals, needs and priorities. Tax planning is a key financial planning area since financial decisions will generally have tax implications.

Estate Planning

Estate planning focuses on the payment of expenses and obligations at death and the transfer of assets to successors under the Will and outside the Will. The financial planner assesses the client's estate wishes, projects the client's net worth at death, determines any constraints or opportunities to achieve the client's transition and estate planning goals, and develops strategies and recommendations to help meet them.

Legal Aspects

The financial planner must understand the client's legal situation. This may relate to spousal and child support obligations or entitlements; third party obligations; shareholder, partner or trust agreements; Powers of Attorney or Mandates in the case of incapacity. A full knowledge of the

client's legal rights and obligations is critical based on their potential repercussions and impact on achieving his personal goals.

*Fundamental
Financial
Planning
Practices²*

Financial planners must apply fundamental financial planning practices to all areas of financial planning. These elements relate to the integration and interrelationships among the areas and are key to any and all financial planning engagements.

In order for a financial planner to provide meaningful advice and planning, he must understand all of the client's personal goals, needs, priorities, interdependencies, overall constraints and opportunities in order to develop appropriate financial planning strategies and recommendations.

Throughout the planning process, it is important to consider the integration of financial planning areas since decisions made in one area will impact, and be impacted by, decisions made in others. For example, to the extent that a client wishes to provide for their child's education over the next four years, retire in 10 years and leave a sizeable estate, the budget will need to account for these various goals.

² IQPF considers the integration and interrelationships among financial planning areas by raising them in the context of a number of defined client situations, each of which requires the consideration of multiple financial planning areas.

Likewise, investment planning decisions will impact the client's ability to meet goals related to major purchases, as well as retirement and estate planning goals. There is also a significant relationship between investment planning and tax planning since different asset classes and investment vehicles have different levels of tax efficiency.

As well, clients may not be aware of how decisions over their lifetime will affect the value of their estate and its distribution. The financial planner can educate clients about the impact of retirement planning and risk management decisions on their estate plan and recommend strategies, including maximizing RRSP savings, setting up an individual pension plan or purchasing additional insurance to help create the level of estate the client wishes.

Professional skills represent the fundamental abilities that characterize a true financial planner.

Professional Skills

The Framework further identifies two categories of professional skills – “Communication” and “Cognitive Abilities and Judgment”. Professional skills speak to acting as a professional with clients and colleagues and to the financial planner’s responsibility to the profession of financial planning.

Professional skills are inherent in the fulfillment of each and every financial planning function and competency with each and every client. The financial planner could be applying several of the professional skills throughout any given client engagement. They are depicted in the Framework as overlaying all financial planning functions, areas and the complete set of competencies. They represent the fundamental abilities that define a true professional.

The two categories of professional skills are defined below.

Communication

At the outset of any financial planning engagement, the financial planner must gain a full and complete understanding of the client’s quantitative and qualitative information related to their goals, needs and priorities, including their values, circumstances, attitudes and biases. This information can best be obtained through an interview process that employs various interview

methods or techniques which encourage discussion, demonstrate interest and attention, and put the client at ease. Responsibility for effective communication rests primarily with the financial planner. This requires active listening skills to build a good rapport and a trusting relationship with the client.

Recommendations and strategies must be presented in a clear and logical manner with any objections and concerns managed in a positive and productive manner. The financial planner must always bear in mind that the client makes the final decision and be respectful of the client's thinking, behaviours and any differences of opinion.

Cognitive Abilities and Judgment

The process of providing financial planning recommendations requires that the financial planner has the capacity to apply judgment in identifying client information to gather, in assessing the appropriate type and level of analysis and in integrating information from a variety of sources. They must also be able to apply sound mathematical methods, logic and reasoning to identify and assess the strengths and weaknesses of potential strategies and the ability to adapt to change in the face of new information, changes in economic and regulatory environments, changing client objectives and situations.

Financial planners must practice in accordance with applicable professional standards and use reasonable judgment in those areas not addressed by existing practice standards. Further, they must employ sound professional reasoning to decide not only the technically best solution, but also the one that is ethically and morally right. They must also recognize the limits of their competence and seek the counsel of other professionals when appropriate. Clients place the financial planner in a position of trust. There is a professional obligation to maintain and foster that trust and to always place the interests of the client ahead of all others.

Underlying these obligations is recognition of the greater public interest role of the financial planning profession and the responsibility to act with the highest degree of professionalism that inspires the respect of clients, colleagues, industry and the public.

Technical Knowledge

Technical knowledge across financial planning areas is the foundation for competent performance. As such, without the appropriate technical knowledge, the competencies cannot be demonstrated. This knowledge comes from a variety of sources, including formal education, continuing education, professional journals and the daily business press.

About FPSC and IQPF

Financial Planning Standards Council (FPSC®) is a not-for-profit organization which develops, promotes and enforces professional standards in financial planning through CERTIFIED FINANCIAL PLANNER® certification. FPSC's purpose is to instill confidence in the financial planning profession. FPSC ensures that CFP® professionals and FPSC Level 1™ Certificants in Financial Planning meet appropriate standards of competence and professionalism through rigorous requirements in education, examination, experience and ethics.

The Institut québécois de planification financière (IQPF) is the only organization in Quebec authorized to grant financial planning diplomas and to establish rules concerning the ongoing professional development of professional financial planners. Only professionals recognized by the Institut québécois de planification financière are authorized to use the title of Financial Planner (F.Pl.) in Quebec. The IQPF is also the only organization in the province entirely dedicated to and reserved for financial planners.

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