CFP®

FPSC FINANCIAL PLANNING STANDARDS COUNCIL™

CERTIFIED FINANCIAL PLANNER®

CFP® Financial Planning Practice Standards

CFP® Practice Standards

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A French language version of the CFP® Financial Planning Practice Standards is available at www.fpsc.ca.

Preface to the CFP® Practice Standards

Introduction

FINANCIAL PLANNING STANDARDS COUNCIL AND CFP CERTIFICATION

Financial Planning Standards Council (FPSC) benefits the public and the *Financial Planning* profession alike by establishing and enforcing education, examination, experience and ethics requirements for financial planners who hold the internationally recognized Certified Financial Planner (CFP) certification. These standards of competency and ethical behaviour define the *Financial Planning* profession in Canada.

FPSC recognizes that *CFP professionals* specialize in many different disciplines and are compensated by a variety of means. Regardless of their area(s) of specialization, their employment relationships or their compensation arrangements, all *CFP professionals* subscribe to the same *Code of Ethics* and the methodology embodied in the *Financial Planning Process*. Throughout Canada, the public can look to CFP certification – a mark of quality and professional integrity – as the mark of the professional financial planner. The public can rely on *CFP professionals* to offer confidential, competent, fair and objective financial planning services tailored to their clients' individual needs.

FINANCIAL PLANNING

Definition

FPSC defines *Financial Planning* as "the process of creating strategies, considering all relevant aspects of a client's financial situation, to manage one's financial affairs to meet life goals".

Financial planners provide a wide breadth of financial expertise to clients, and may also have specialized knowledge in one or more specific components of *Financial Planning*. Fundamental to the *Financial Planning* profession is the integration of competencies and knowledge across all *Financial Planning Components*. The ability to identify interrelationships among the various components of *Financial Planning* represents the 'added value' of *Financial Planning* and distinguishes a financial planner from other financial professionals. While other financial professionals may offer services that fall within a subset of the *Financial Planning* domain, they have not necessarily been trained, nor are they necessarily qualified, in all components of *Financial Planning* or in the integration of these components.

Financial planners also often have other roles. For example, many accountants also hold CFP certification. Similarly, other financial professionals who earn much of their living as mutual fund or insurance advisors may also hold CFP certification to better serve their clients' needs, and to extend their service offering to include *Financial Planning*. For many financial professionals, *Financial Planning* represents only an aspect of their job, rather than their primary function. In any case, critical to FPSC is that, regardless of the quantity of time spent providing *Financial Planning, CFP professionals* should always conduct themselves in accordance with the *Code of Ethics* and *Practice Standards* as applicable.

For clients, *CFP professionals* provide strategies and advice on a countless number of objectives. For example, some clients may be focused on how to prepare for retirement, others on how to save for a down-payment on a house, or others on how to ensure sufficient funds are left to a dependent child. Sometimes, the *CFP professional* may need to refer the client to a specialist (such as a lawyer or licensed securities dealer).

Often, the *CFP professional* will also have specialized knowledge in a particular area that goes beyond the scope of *Financial Planning*. For example, many *CFP professionals* are also fully licensed securities or insurance representatives, and others hold professional accounting designations. Regardless of the client's specific need, the *CFP professional* should always consider all aspects of the client's financial situation in formulating strategies and making recommendations, and should always follow these *Practice Standards* to the extent that they apply to any given situation. For example, a *CFP professional* cannot simply provide advice on life insurance without also considering the client's current asset holdings, family income requirements, the existence of a will or other family issues.

Components of a Financial Plan

Financial Planning consists of six fundamental components – *Financial Management, Tax Planning, Asset Management, Risk Management, Retirement Planning and Estate Planning*. These are all defined in the appendix of this document.

What is the Difference Between Financial Planning And Financial Advice?

With *Financial Planning*, none of the above components are ever dealt with entirely in isolation – it is the integration and interdependencies among these components, as well as the need to analyze and synthesize information presented to formulate strategies, which distinguish *Financial Planning* from other forms of financial advice or financial intermediation.

How Does the Sale of a Product Relate to Financial Planning?

Specific product recommendations or sales are not, in and of themselves, *Financial Planning* activities. While the process leading up to a specific product recommendation may well involve some *Financial Planning* activity, the actual product recommendation clearly falls outside the scope of *Financial Planning*.

FPSC also recognizes that many *CFP professionals* often act in the capacity of product salesperson, investment advisor and financial planner all within the same engagement. These situations are addressed in the following section.

Scope and purpose of the CFP® Practice Standards

To further the *Financial Planning* profession in Canada, FPSC has developed the *CFP Practice Standards ("Practice Standards")*. The Practice Standards will help keep the public better informed about the *Financial Planning Process* and clarify for both the *CFP professional* and the public their respective roles and responsibilities in the *Financial Planning Engagement*, thus reducing confusion and misunderstanding between client and planner, establishing consistency of service delivery, and raising confidence in the profession.

These *Practice Standards* do not represent new ethical or professional obligations for *CFP professionals*. They simply expand on and apply the concepts already embodied in the *Code of Ethics* and the *Financial Planning Process*.

APPLICABILITY

At least some of these *Practice Standards* apply both to comprehensive *Financial Planning* and to the provision of services that only represent components of *Financial Planning*. Consistent with other current and proposed regulations within the financial services industry, Standard 100, dealing with defining the terms and scope of an engagement, applies any time a *CFP professional* provides financial planning or components thereof to a client. This serves to establish clear and appropriate expectations for the client and the *CFP professional*. Depending on the nature of the engagement, Standards 200 through 600 apply to the extent that they are relevant to that engagement.

DO ALL OF THESE STANDARDS APPLY TO ALL SITUATIONS?

Not necessarily. For example, in instances where a *CFP professional* is specifically asked not to implement the financial plan being developed, and this is clearly established in the *Engagement Letter* or *Letter of Understanding*, Standard 500-B would not apply, as it would not be relevant. The scope and terms of the *Engagement Letter* or *Letter of Understanding* will dictate the applicability of all of the standards that follow.

INSTANCES WHERE THE *CFP PROFESSIONAL'S* OBLIGATIONS OVERLAP OTHER PROFESSIONAL OBLIGATIONS

Many *CFP professionals* are also members of other professions – for example, lawyers or accountants. Often, these financial professionals offer services that overlap the two professions. FPSC recognizes this, and has established that the professional obligations among these professions are substantially similar. Therefore, fulfillment of one's professional obligations to one profession fulfils the professional obligations of the other for the same engagement. It is not FPSC's intent to impose new or additional professional obligations on financial professionals who, within the same engagement, are already meeting their obligations to another long-standing, respected profession.

SITUATIONS IN WHICH THESE PRACTICE STANDARDS DO NOT APPLY

In some limited instances, a CFP practitioner may provide services that are entirely outside the scope of financial planning. In these circumstances it is inappropriate, if not impossible, to impose standards of practice that have no relevance to the services provided. Where a *CFP professional* chooses to offer such services however, and where the client may *reasonably construe the service to involve financial planning*, the *CFP professional* should, as a minimum, clearly set out the scope and terms of the services to be provided, in accordance with Standard 100, to ensure that the scope and terms are clearly understood by both parties.

The CFP® Financial Planning Practice Standards

100 Establish the Engagement: *Define the Terms of the Engagement*

The client and the *CFP professional* should define and agree on the scope of the *Financial Planning Engagement ("Engagement")*. Details about each party's responsibilities, the time frames of the engagement, compensation, and *Conflicts of Interest* should be set out in writing in a formal *Engagement Letter* or in a *Letter of Understanding*, signed by both parties.

200-A Gather Client Data: *Identify the Client's Goals, Needs and Priorities*

The *CFP professional* should discuss the clients' financial goals, needs and priorities with them before making and/or implementing any recommendations.

200-B Gather Client Data: *Obtain the Client's Information*

The *CFP professional* should gather all quantitative and qualitative information relevant to the engagement. Sufficient information should be obtained from the client before making and/or implementing any recommendations.

300 Analyze the Client's Financial Information: *Analyze the Information with Respect to the Client's Goals, Needs and Priorities*

The *CFP professional* should analyze all information to determine the client's financial situation, and evaluate to what extent the client's goals, needs and priorities can be met under the current circumstances.

400-A Develop and Present the Financial Plan: *Identify and Evaluate the Financial Planning Strategies*

The *CFP Professional* should identify and evaluate *Financial Planning* strategies to achieve the client's stated goals, needs and priorities.

400-B Develop and Present the Financial Plan: *Develop and Present the Financial Planning Recommendations*

The *CFP professional* should develop recommendations to achieve the client's stated goals, needs and priorities and should communicate these recommendations so that the client understands them.

500-A Implementation of the Financial Plan: *Agree on Implementation Action, Responsibilities and Time Frames*

The client and the *CFP professional* should agree on implementation action, responsibilities, and time frames.

500-B Implementation of the Financial Plan: *Implement the Financial Plan*

The client and the *CFP professional* should act to implement the approved recommendations.

600-A Review the Financial Plan: *Agree on Responsibilities and Time Frames for the Review and Re-Evaluation of the Financial Plan*

The client and the *CFP professional* should agree on a time frame for monitoring and evaluating the financial plan.

600-B Review the Financial Plan: *Monitor and Evaluate the Financial Plan*

The client and the *CFP professional* should review the financial plan to assess its progress, to determine if it is still appropriate and to confirm any revisions mutually considered necessary.

Interpretation and explanation of the CFP® Financial Planning Practice Standards

Practice Standard 100 Establish the Engagement: *Define the Terms of the Engagement*

The client and the *CFP professional* should define and agree on the scope of the *Financial Planning Engagement ("Engagement")*. Details about each party's responsibilities, the time frames of the engagement, compensation, and *Conflicts of Interest* should be set out in writing in a formal *Engagement Letter* or in a *Letter of Understanding*, signed by both parties.

INTERPRETATION AND EXPLANATION

A written letter is essential to ensure mutual understanding and agreement between the *CFP professional* and the client regarding the terms of the financial planning services to be provided.

In setting out the terms, as a minimum the *CFP professional* should include the following:

- Specific parties to the *Engagement*; including details of any legal and agency relationships which may exist
- Assurance of protection of client confidentiality;
- Specific *Financial Planning* services to be provided;
- Attestation that any assumptions used in the engagement will be disclosed in writing;
- Tenure and time frames for the *Engagement*, which may include subsequent reviews;
- The *CFP professional's* compensation arrangements with respect to the Engagement;
- Existing *Conflicts of Interest* and agreement to disclose subsequent *Conflicts of Interest* if or when they occur; and,
- Client's responsibilities, including the full and timely disclosure of information.

Additional information that may form part of the *Engagement Letter* or *Letter of Understanding* includes, but is not limited to:

- Potential need to use other professionals during the engagement;
- Provisions for termination of the engagement; and
- Specific limitations on the use of client information.

If requested by a client, or if the situation arises where it is appropriate, a *CFP professional* should disclose avenues available to the client for redress, including mechanisms for lodging complaints with FPSC.

Practice Standard 100 Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 4 – Fairness	Rules 401, 402, 403 and 404
Principle 7 – Diligence	Rule 701

Practice Standard 200–A Gather Client Data: *Determine the Client's Goals, Needs and Priorities*

The *CFP professional* should discuss the clients' financial goals, needs and priorities with them before making and/or implementing any recommendations.

INTERPRETATION AND EXPLANATION

The *CFP professional* should clearly understand the client's financial goals, needs and priorities.

Financial goals state intent, provide guidance and bring structure to the *Financial Planning Engagement*. Goals should be specific, measurable, attainable, realistic and time-bound. The *CFP professional* should assist the client in clarifying his/her goals. The *CFP professional* should discuss with the client the merit and feasibility of any goals that appear to be unrealistic.

Once clearly-defined goals have been established, it is important to determine the client's priorities with respect to these goals.

Practice Standard 200–A Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 7 – Diligence	Rule 701

Practice Standard 200–B Gather Client Data: *Obtain the Client's Information*

The *CFP professional* should gather all quantitative and qualitative information relevant to the engagement. Sufficient information should be obtained from the client before making and/or implementing any recommendations.

INTERPRETATION AND EXPLANATION

Since the *CFP professional* relies on information to make appropriate recommendations, the necessity of gathering complete, current and accurate information should be stressed to the client. If the *CFP professional* is unable to obtain the necessary information to develop and support recommendations, this should be discussed with the client. The *CFP professional* should communicate how these limitations will impact the engagement and the recommendations. In some cases, these limitations may result in a revised *Letter of Engagement* or in the termination of the engagement.

Practice Standard 200–B Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 7 – Diligence	Rules 701 and 703

Practice Standard 300 Analyze the Client's Financial Information: *Analyze the Information with Respect to the Client's Goals, Needs and Priorities*

The *CFP professional* should analyze all information to determine the client's financial situation, and evaluate to what extent the client's goals, needs and priorities can be met under the current circumstances.

INTERPRETATION AND EXPLANATION

Analysis and evaluation of the client's financial situation should be completed before any financial planning recommendations are presented.

Thorough analysis may reveal additional *Financial Planning* opportunities and/or constraints. It may be necessary to review the goals, needs and priorities, to revise the scope of the engagement, and/or obtain additional information based upon the findings of the evaluation.

Practice Standard 300 Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201and 202
Principle 7 – Diligence	Rules 701and 703

Practice Standard 400–A Develop and Present the Financial Plan: *Identify and Evaluate the Financial Planning Strategies*

The *CFP professional* should identify and evaluate *Financial Planning* strategies to achieve the client's stated goals, needs and priorities.

INTERPRETATION AND EXPLANATION

The *CFP professional* should evaluate the appropriateness and effectiveness of each *Financial Planning* strategy. This evaluation may lead to the presentation of more than one alternative.

The *CFP professional* should be aware that consultation with other qualified individuals might also be prudent, particularly where the *CFP professional* is neither experienced nor qualified to provide advice in relevant areas.

In evaluating appropriate *Financial Planning* strategies, the *CFP professional* may need to make certain assumptions. These assumptions may include, but are not limited to, the following: retirement age, life expectancy, retirement-income requirements, government benefits, time horizons, special needs, rates of return, inflation and income tax rates. These assumptions should be reasonable and disclosed in writing to the client.

Practice Standard 400–A Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 3 – Competence	Rule 301
Principle 5 – Confidentiality	Rule 501
Principle 6 – Professionalism	Rule 609
Principle 7 – Diligence	Rules 701, 702 and 703

Practice Standard 400–B Develop and Present the Financial Plan: *Develop and Present the Financial Planning Recommendations*

The *CFP professional* should develop recommendations to achieve the client's stated goals, needs and priorities, and should communicate these recommendations so that the client understands them.

INTERPRETATION AND EXPLANATION

The *CFP professional* should develop practical recommendations to achieve the client's financial goals, needs and priorities. The recommendations may be a single, tactical action or a combination of strategies.

The *CFP professional* should make specific recommendations only as qualified and licensed to do so. Where the *CFP professional* is not so qualified and/or licensed, a recommendation should be made for the client to seek specific advice from other appropriate professionals.

The *CFP professional* should prepare a written *Financial Planning* report to be presented to and reviewed with the client. The *CFP professional* should present the recommendations in a way that will allow the client to make informed decisions.

The *CFP professional* should ensure that the client understands the recommendations. The client should also understand the assumptions used in the plan and the possible impact of changes in the assumptions, costs of implementation, projected results, any inherent risks, time sensitivities, and consequences of inaction.

Practice Standard 400–B Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 3 – Competence	Rule 301
Principle 6 – Professionalism	Rule 609
Principle 7 – Diligence	Rules 701, 702 and 703

Practice Standard 500–A Implementation of the Financial Plan: *Agree on Implementation Action, Responsibilities and Time Frames*

The client and the *CFP professional* should agree on implementation action, responsibilities and time frames.

INTERPRETATION AND EXPLANATION

A client may accept or reject the *Financial Planning* recommendations. If a client accepts the recommendations, the client and the *CFP professional* should agree on the implementation actions to be taken, who is going to take them, and when they will be completed. This may or may not require written revisions to the terms of the engagement.

The *CFP professional's* implementation responsibilities may include, but are not limited to:

- Detailing the steps required to implement the plan (action, responsibility, time frames);
- Referring the client to, or consulting with, other qualified individuals who offer services or products for which the *CFP professional* is not qualified or licensed to provide;
- Coordinating activities with other qualified individuals;
- Sharing information with other qualified individuals as authorized by the client;
- Investigating pertinent products and services; and
- Selecting specific products and/or services.

Practice Standard 500–A Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 3 – Competence	Rule 301
Principle 4 – Fairness	Rules 401, 402 and 403
Principle 5 – Confidentiality	Rule 501
Principle 6 – Professionalism	Rule 609
Principle 7 – Diligence	Rules 701, 702 and 703

Practice Standard 500–B Implementation of the Financial Plan: *Implement the Financial Plan*

The client and the *CFP professional* should act to implement the approved recommendations.

INTERPRETATION AND EXPLANATION

While the sale or offering of specific products or services necessary to implement a financial plan fall outside of normal *Financial Planning* activities, *Financial Planning* recommendations may be implemented by the *CFP professional*, who may in turn be compensated through the sale of those products or services. It is therefore important that *CFP professionals* be held to a standard specific to the offering of products or services related to the implementation of the financial plan.

Implementation of an approved recommendation may include the purchase of products and/or services. In such circumstances, the client and the *CFP professional* should agree on products and services suitable for the implementation of the recommendations.

When determining the appropriate products and services to be used in implementing the client's financial plan, the *CFP professional* should make reasonable investigation, and use appropriate professional judgement.

The *CFP professional* should provide, sell and/or promote a product or service only as qualified and licensed to do so and only to the extent that it is in the best interest of the client. Where not appropriately qualified and/or licensed, the *CFP professional* should refer the client to an appropriately qualified or licensed individual.

When referring a client to other qualified individuals, the *CFP professional* should inform the client of:

- The qualifications of these other individuals;
- The basis on which these other qualified individuals are compensated, if known; and
- Any referral fees to be received by the *CFP professional*.

Practice Standard 500–B Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 3 – Competence	Rule 301
Principle 4 – Fairness	Rules 401, 402 and 403
Principle 5 – Confidentiality	Rule 501
Principle 7 – Diligence	Rules 701, 702, 703 and 705

Practice Standard 600–A Review the Financial Plan: *Agree on Responsibilities and Time Frames for the Review and Re-Evaluation of the Financial Plan*

The client and the *CFP professional* should agree on a time frame for monitoring and evaluating the financial plan.

INTERPRETATION AND EXPLANATION

Unless explicitly excluded from the engagement, the *CFP professional* should contact the client to schedule a periodic review of the financial plan. At a minimum, this review should normally occur annually, but in any case should be consistent with the review schedule and frequency set out in the *Letter of Engagement* or *Letter of Understanding*.

Practice Standard 600–A Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 7 – Diligence	Rules 701, 702 and 703

Practice Standard 600–B Review the Financial Plan: *Monitor and Evaluate the Financial Plan*

The client and the *CFP professional* should review the financial plan to assess its progress, to determine if it is still appropriate and to confirm any revisions mutually considered necessary.

INTERPRETATION AND EXPLANATION

The review process may include, but is not limited to, the following:

- Confirming that all of the approved recommendations have been implemented;
- Assessing the achievement to date of goals and objectives;
- Re-evaluating assumptions used in the plan for reasonableness;
- Determining whether changes in the client's circumstances or objectives warrant adjustments to the plan; and
- Agreeing on any necessary changes to the plan.

Practice Standard 600–B Relates to the Following Principles and Rules in the *CFP® Code of Ethics*

Principle 2 – Objectivity	Rules 201 and 202
Principle 7 – Diligence	Rules 701, 702 and 703

Appendix

Definitions used in these Practice Standards

"Asset Management": strategies and techniques to maximize returns on assets in consideration of a client's requirements and constraints.

"CFP professional": a person who is competent and qualified to offer objective *Financial Planning* services to, and/or for the benefit of, individuals, as demonstrated by holding CFP certification.

"Conflicts of Interest": circumstances, relationships or other facts about the *CFP professional's* own financial, business, property and/or personal interests that may, as it may appear to a reasonable observer, impair the *CFP professional's* ability to render disinterested advice, recommendations or services.

"Estate Planning": strategies and techniques for the maximization, preservation and distribution of accumulated assets.

"Financial Management": strategies and techniques to optimize short- and mid-term cash flows, assets and liabilities.

"Financial Planning": the process of creating strategies, considering all relevant aspects of a client's financial situation, to manage financial affairs to meet the client's life goals.

"Financial Planning Components": the fundamental elements of a *Financial Planning Engagement*. These include: *Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning* and *Estate Planning*.

"Financial Planning Engagement": an engagement entered into between a financial planner and a client where a financial planner creates strategies, considering all relevant aspects of a client's financial situation, to manage financial affairs in order to meet the client's life goals. In some instances, a *Financial Planning Engagement* may be undertaken in conjunction with other financial services, including the sale of financial products. In these circumstances, the other financial services or advice, including the sale of financial products, are separate and distinct from the *Financial Planning Engagement* itself, which may be comprehensive or may include only specified *Financial Planning Components*.

"Financial Planning Process": the process used in providing *Financial Planning* services, and normally includes establishing the engagement; gathering data and establishing goals; identifying the present financial situation, potential problems and opportunities; developing and recommending strategies to meet the client's needs and goals; implementing the recommended strategies; and reviewing and revising the strategies and actions on a periodic basis.

"Letter of Engagement": A written document that clearly defines the terms of the *Financial Planning* engagement as mutually agreed upon between the *CFP professional* and the client. The *Letter of Engagement* acts as a contractual agreement that should include details of each party's responsibilities, time frames of the engagement, compensation arrangements and *Conflicts of Interest*.

"Letter of Understanding: An informal written document that ensures mutual understanding between the *CFP professional* and the client regarding the scope and terms of the services to be provided.

"Retirement Planning": strategies and techniques for the accumulation of wealth to meet needs and goals in retirement years.

"Risk Management": strategies and techniques to control financial exposure to personal risk.

"Tax Planning": strategies and techniques to maximize the present value of after-tax net worth by minimizing taxation.

Principles from the CFP® Code of Ethics

PRINCIPLE 2: OBJECTIVITY

A CFP professional shall be objective in providing financial planning to clients.

Rule 201 requires CFP professionals to exercise reasonable and prudent professional judgment in providing financial planning.

Rule 202 requires CFP professionals to act in the interests of the client.

PRINCIPLE 3: COMPETENCE

A CFP professional shall provide financial planning to clients competently and maintain the necessary competence and knowledge to continue to do so in those areas in which the CFP professional is engaged.

Rule 301 requires CFP professionals to offer advice only in those areas in which the CFP professional is competent to do so. In areas where the CFP professional is not sufficiently competent, CFP professionals shall seek the counsel of qualified individuals and/or refer clients to such parties.

PRINCIPLE 4: FAIRNESS

A CFP professional shall perform financial planning in a manner that is fair and reasonable to clients, principals, partners and employers, and shall disclose conflicts of interest in providing such services.

Rule 401 requires CFP professionals to make timely written disclosure of all material information relative to the professional relationship. Written disclosures that include the following information are considered to be in compliance with this Rule:

a) A statement indicating whether the CFP professional's compensation arrangements involve fee-for-service, commission, salary, or any combination of the foregoing. A CFP professional shall not hold out as a fee-for-service practitioner if the CFP professional receives commissions or other forms of economic benefit from parties other than the client;

b) Where financial products are used in implementing the planning strategy, the client must be informed of the basis upon which the CFP professional is compensated. To this end, the CFP professional is governed by the accepted sales disclosure guidelines and regulations covering securities, mutual funds, real estate, insurance and other financial products utilized in fulfilling the plan;

c) A statement describing material agency or employment relationships a CFP professional (or his/her firm) has with third parties, including the nature of the compensation arrangements.

d) A statement identifying any conflicts of interest; and

e) The information required by all laws and regulations applicable to the relationship in a manner complying with such.

Rule 402 states that when rendering services (such as taking an order for securities or insurance coverage) that do not encompass financial planning, CFP professionals shall inform the client of the scope of the services that shall be rendered and that CFP professionals are not taking on the responsibilities of a financial planner. Such understanding obtained at the start of a relationship need be updated only when the nature of the services to be performed changes.

Rule 403 requires CFP professionals to inform clients of changes in circumstances and material information that arise subsequent to the original engagement that may have an impact on the professional relationship or services to be rendered. Such changes include, but are not limited to:

a) conflicts of interest;

b) the CFP professional's business affiliation;

c) compensation structure affecting the professional services to be rendered; and

d) new or changed agency relationships.

Rule 404 states that where financial planning is to be compensated for on a contingency fee basis, such a fee arrangement must be disclosed in writing to the client.

PRINCIPLE 5: CONFIDENTIALITY

A CFP professional shall maintain confidentiality of all client information.

Rule 501 requires CFP professionals to not disclose any confidential client information without the specific consent of the client unless in response to proper legal or regulatory process. A client's name shall not be disclosed to another party unless specific consent has been granted for the use of the client as a reference.

PRINCIPLE 6: PROFESSIONALISM

A CFP professional's conduct in all matters shall reflect credit upon the profession.

Rule 609 requires CFP professionals to not practice any other profession or offer to provide such additional services unless the CFP professional is qualified to practice in those fields and is licensed or registered as required by law.

PRINCIPLE 7: DILIGENCE

A CFP professional shall act diligently in providing financial planning.

Rule 701 requires CFP professionals to enter into a client engagement only after securing sufficient information to be satisfied that the relationship is warranted by the individual's needs and objectives, and that CFP professionals have the ability to either provide the requisite competent services or to involve and supervise other professionals who can provide such services.

Rule 702 requires CFP professionals to make and/or implement only those recommendations that are suitable for the client.

Rule 703 states that consistent with the nature and scope of the engagement, CFP professionals shall carry out a reasonable investigation regarding the financial products recommended to clients. Such an investigation may be made by the CFP professional or by others provided the CFP professional acts reasonably in relying upon such investigation.

Rule 705 requires CFP professionals to properly supervise subordinates with regard to their delivery of financial planning, and states that CFP professionals shall not accept or condone conduct in violation of this Code.

FINANCIAL PLANNING STANDARDS COUNCIL™

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