

# C. PRACTICE STANDARDS FOR THE FINANCIAL PLANNING PROCESS

*In complying with the Practice Standards, a CFP® professional must act prudently in documenting information, as the facts and circumstances require, taking into account the significance of the information, the need to preserve the information in writing, the obligation to act in the Client's best interests, and the CFP® Professional's Firm's policies and procedures.*

## 1. Understanding the Client's Personal and Financial Circumstances

**a. Obtaining Qualitative and Quantitative Information.** A CFP® professional must describe to the Client the qualitative and quantitative information concerning the Client's personal and financial circumstances needed to fulfill the Scope of Engagement and collaborate with the Client to obtain the information.

i. Examples of qualitative or subjective information include the Client's health, life expectancy, family circumstances, values, attitudes, expectations, earnings potential, risk tolerance, goals, needs, priorities, and current course of action.

ii. Examples of quantitative or objective information include the Client's age, dependents, other professional advisors, income, expenses, cash flow, savings, assets, liabilities, available resources, liquidity, taxes, employee benefits, government benefits, insurance coverage, estate plans, education and retirement accounts and benefits, and capacity for risk.

**b. Analyzing Information.** A CFP® professional must analyze the qualitative and quantitative information to assess the Client's personal and financial circumstances.

**c. Addressing Incomplete Information.** If unable to obtain information necessary to fulfill the Scope of Engagement, the CFP® professional must either limit the Scope of Engagement to those services the CFP® professional is able to provide or terminate the Engagement.

## 2. Identifying and Selecting Goals

**a. Identifying Potential Goals.** A CFP® professional must discuss with the Client the CFP® professional's assessment of the Client's financial and personal circumstances, and help the Client identify goals, noting the effect that selecting a particular goal may have on other goals. In helping the Client identify goals, the CFP® professional must discuss with the Client, and apply, reasonable assumptions and estimates. These may include life expectancy, inflation rates, tax rates, investment returns, and other Material assumptions and estimates.

**b. Selecting and Prioritizing Goals.** A CFP® professional must help the Client select and prioritize goals. The CFP® professional must discuss with the Client any goals the Client has selected that the CFP® professional believes are not realistic.

### 3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action

#### a. Analyzing Current Course of Action.

A CFP® professional must analyze the Client's current course of action, including the material advantages and disadvantages of the current course and whether the current course maximizes the potential for meeting the Client's goals.

#### b. Analyzing Potential Alternative Courses of Action.

Where appropriate, a CFP® professional must consider and analyze one or more potential alternative courses of action, including their material advantages and disadvantages of each alternative, whether each alternative helps maximize the potential for meeting the Client's goals, and how each alternative integrates the relevant elements of the Client's personal and financial circumstances.

### 4. Developing the Financial Planning Recommendation(s)

From the potential courses of action, a CFP® professional must select one or more recommendations designed to maximize the potential for meeting the Client's goals. The recommendation may be to continue the Client's current course of action. For each recommendation selected, the CFP® professional must consider the following information:

- a. The assumptions and estimates used to develop the recommendation;
- b. The basis for making the recommendation, including how the recommendation is designed to maximize the potential to meet the Client's goals, the anticipated material effects of the recommendation on the Client's financial and personal circumstances, and how the recommendation integrates relevant

elements of the Client's personal and financial circumstances;

c. The timing and priority of the recommendation; and

d. Whether the recommendation is independent or must be implemented with another recommendation.

### 5. Presenting the Financial Planning Recommendation(s)

A CFP® professional must present to the Client the selected recommendations and the information that was required to be considered when developing the recommendation(s).

### 6. Implementing the Financial Planning Recommendation(s)

#### a. Addressing Implementation

**Responsibilities.** A CFP® professional must establish with the Client whether the CFP® professional has implementation responsibilities. When the CFP® professional has implementation responsibilities, the CFP® professional must communicate to the Client the recommendation(s) being implemented and the responsibilities of the CFP® professional, the Client, and any third-party with respect to implementation.

#### b. Identifying, Analyzing, and Selecting Actions, Products and Services.

A CFP® professional who has implementation responsibilities must identify and analyze actions, products, and services designed to implement the recommendations. The CFP® professional must consider the basis for each selection, which must include:

- i. How the action, product, or service is designed to implement the CFP® professional's recommendation; and
- ii. The advantages and disadvantages

of the action, product, or service relative to reasonably available alternatives.

**c. Recommending Actions, Products, and Services for Implementation.**

A CFP® professional who has implementation responsibilities must recommend one or more actions, products, and services to the Client. The CFP® professional must discuss with the Client the basis for selecting an action, product, or service, the timing and priority of implementing the action, product, or service, and disclose and manage any Material Conflicts of Interest concerning the action, product, or service.

**d. Selecting and Implementing Actions, Products, or Services.**

A CFP® professional who has implementation responsibilities must help the Client select and implement the actions, products, or services. The CFP® professional must discuss with the Client any Client selection that deviates from the actions, products, and services the CFP® professional recommended.

## 7. Monitoring Progress and Updating

**a. Monitoring and Updating**

**Responsibilities.** A CFP® professional must establish with the Client whether the CFP® professional has monitoring and updating responsibilities. When the CFP® professional has responsibilities for monitoring and updating, the CFP® professional must communicate to the Client:

- i. Which actions, products, and services are and are not subject to the CFP® professional's monitoring responsibility;
- ii. How and when the CFP® professional will monitor the actions, products, and services;

- iii. The Client's responsibility to inform the CFP® professional of any Material changes to the Client's qualitative and quantitative information;

- iv. The CFP® professional's responsibility to update the Financial Planning recommendations; and

- v. How and when the CFP® professional will update the Financial Planning recommendations.

**b. Monitoring the Client's Progress.**

A CFP® professional who has monitoring responsibilities must analyze, at appropriate intervals, the progress toward achieving the Client's goals. The CFP® professional must review with the Client the results of the CFP® professional's analysis.

**c. Obtaining Current Qualitative and Quantitative Information.**

A CFP® professional who has monitoring responsibility must collaborate with the Client in an attempt to obtain current qualitative and quantitative information concerning the Client's personal and financial circumstances.

**d. Updating Goals, Recommendations, or Implementation Decisions.**

Where a CFP® professional has updating responsibility, and circumstances warrant changes to the Client's goals, recommendations, or selections of actions, products or services, the CFP® professional must update as appropriate in accordance with these *Practice Standards*.