

7 Steps of the Financial Planning Process

This document serves as a reference guide to the practice standards of the financial planning process.



STEP 1 - UNDERSTANDING THE CLIENT'S PERSONAL AND FINANCIAL CIRCUMSTANCES

Obtain qualitative and quantitative information

Your CFP® professional will learn the qualitative and quantitative information concerning your personal and financial circumstances needed to fulfill the Scope of Engagement.

- Collaborate with your CFP® professional to provide information they need to analyze your circumstances.

Analyze information

- Your CFP® professional will analyze the information to assess your personal and financial circumstances.

Address incomplete information

- If your CFP® professional is unable to obtain information necessary to fulfill the Scope of Engagement, their services will be limited to what they are able to provide or they may terminate the Engagement.

Examples of qualitative or subjective information your CFP® professional may need:

- | | | |
|--------------------------------|-------------------------------|--|
| • Health | • Age | • Liquidity |
| • Life expectancy | • Dependents | • Taxes |
| • Family circumstances | • Other professional advisors | • Employee benefits |
| • Values | • Income | • Government benefits |
| • Attitudes | • Expenses | • Insurance coverage |
| • Expectations | • Cash flow | • Estate plans |
| • Earnings potential | • Savings | • Capacity for risk |
| • Risk tolerance | • Assets | • Education and retirement accounts and benefits |
| • Goals, needs, and priorities | • Liabilities | |
| • Current course of action | • Available resources | |



STEP 2 - IDENTIFYING AND SELECTING GOALS

Identify potential goals.

- Your CFP® professional will discuss with you their assessment of your financial and personal circumstances.

- Your CFP® professional will develop reasonable assumptions and estimates.
- Your CFP® professional will discuss with you and apply reasonable assumptions and estimates.

Select and prioritize goals.

- Note the impact that selecting a particular goal may have on other goals.
- Your CFP® professional will discuss with you any goals you have selected that they think are unrealistic.

Examples of assumptions and estimates:

- Life expectancy
- Tax rates
- Inflation rates
- Investment returns
- Other material assumptions and estimates



STEP 3 – ANALYZING THE CLIENT’S CURRENT COURSE OF ACTION AND POTENTIAL ALTERNATIVE COURSE(S) OF ACTION

Analyze the current course of action

- Your CFP® professional will analyze material advantages and disadvantages of the current course of action.
- Your CFP® professional will analyze whether the current course maximizes the potential for meeting your goals.

Analyze potential alternative courses of action.

- When appropriate, your CFP® professional will consider and analyze one or more potential alternative courses of action, including your material advantages and disadvantages, whether they help maximize the potential for meeting your goals, and how they integrate the relevant elements of your personal and financial circumstances.



STEP 4 – DEVELOPING THE FINANCIAL PLANNING RECOMMENDATION(S)

From the current and potential alternative courses of action, your CFP® professional will select one or more recommendations designed to maximize the potential for meeting your goals.

For each recommendation selected, your CFP® professional will consider the following:

- The assumptions and estimates used to develop the recommendation;
- The basis for making the recommendation, including:
 - » How the recommendation is designed to maximize the potential to meet your goals.

- » The anticipated material effects of the recommendation on your financial and personal circumstances.
- » How the recommendation integrates relevant elements of your personal and financial circumstances.
- The timing and priority of the recommendation.
- Whether the recommendation is independent or must be implemented with another recommendation.



STEP 5 – PRESENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

Your CFP® professional will present to you the selected recommendation(s) and the information that was required to be considered in developing the recommendation(s).

They will present:

- The recommendation(s)
- The assumptions and estimates used to develop the recommendation
- The basis for making the recommendation, including:
 - » How the recommendation is designed to maximize the potential to meet your goals
 - » The anticipated material effects of the recommendation on your financial and personal circumstances
 - » How the recommendation integrates relevant elements of your personal and financial circumstances
- The timing and priority of the recommendation
- Whether the recommendation is independent or must be implemented with another recommendation.



STEP 6 – IMPLEMENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

Address implementation responsibilities

- Your CFP® professional will establish with you whether they have responsibilities for implementing the Financial Planning recommendation(s).
- If your CFP® professional has implementation responsibilities, they will communicate to you the recommendations being implemented and the responsibilities of the CFP® professional, you, and any third party with respect to implementation.

If your CFP® professional has implementation responsibilities, they will identify, analyze, and select actions, products, and services designed to implement the recommendation(s)

- Consider the basis for each selection, which must include:
 - » How the action, product, or service is designed to implement the recommendation
 - » The advantages and disadvantages relative to reasonably available alternatives.

If your CFP® professional has implementation responsibilities, they will recommend one or more actions, products and services for implementation.

- Your CFP® professional will discuss with you:
 - » The basis for selecting the action, product, or service
 - » The timing and priority of implementing the action, product, or service
 - » Describe any Conflicts of Interest.

If your CFP® professional has implementation responsibilities, select and implement actions, products, or services.

- Your CFP® professional will discuss with you any selection that deviates from their recommendation.



STEP 7 - MONITORING PROGRESS AND UPDATING

Establish monitoring and updating responsibilities.

- When your CFP® professional has responsibilities for monitoring and updating, they must communicate to you:
 - » Which actions, products, and services are/are not subject to their monitoring responsibility;
 - » How and when they will monitor actions, products, or services;
 - » Your responsibility to inform them of any Material changes to the your qualitative and quantitative information;
 - » Their responsibility to update the Financial Planning recommendations; and
 - » How and when they will update the Financial Planning recommendations.

Monitor your progress.

- If your CFP® professional is monitoring responsibility, they will analyze at appropriate intervals the progress toward reaching your goals and review with you the results of their analysis.

Obtain current qualitative and quantitative information.

- If your CFP® professional has monitoring responsibility, they will collaborate with you in an attempt to obtain current qualitative and quantitative information concerning your personal and financial circumstances.

Update goals, recommendations, or implementation decisions.

- If your CFP® professional has been updating responsibility, and circumstances warrant changes, they will update as appropriate in accordance with the Practice Standards for the Financial Planning Process.