

LEARNING OBJECTIVE 3

Describe when Financial Advice requires Financial Planning
(and the additional obligations that apply to CFP
professionals).



FINANCIAL PLANNING

Financial planning is a specific type of Financial Advice.

A collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances.



FINANCIAL PLANNING

When does Financial Advice Require Financial Planning?

- CFP® professional agrees to provide Financial Planning; or
- Client has reasonable basis to believe Financial Planning is provided; or
- CFP® Professional agrees to provide Financial Advice that requires integration of relevant elements of the Client's personal and/or financial circumstances in order to act in the Client's best interests



RELEVANT PERSONAL & FINANCIAL CIRCUMSTANCES



DEVELOP GOALS



ASSETS and
LIABILITIES



CASH FLOW



RISKS



HEALTH
CONSIDERATIONS



EDUCATIONAL
NEEDS



FINANCIAL
SECURITY



PRESERVE or
INCREASE WEALTH



TAX
CONSIDERATIONS



RETIREMENT



PHILANTHROPIC
INTERESTS



ESTATE and
LEGACY MATTERS



INTEGRATION FACTORS

Number of relevant elements of Client circumstances

Portion and amount of assets

Length of time Client affected

Effect on Client's exposure to risk

Barriers to modification of advice



SCENARIO:

INTEGRATION FACTORS

Juan, a CFP® professional, receives a call from prospective clients Cristabella and Miguel.

They are expecting their first child and want to begin to save for the child's education.

Juan sends Cristabella and Miguel a questionnaire, which they complete and return to Juan, requesting personal information such as their names, ages, net worth, income, and risk profile. Juan schedules a meeting to better understand their personal and financial circumstances.



APPLYING THE INTEGRATION FACTORS

After the meeting, Juan uses his education funding calculator to prepare an education funding analysis applying a balanced risk tolerance that is consistent with Cristabella and Miguel's answers on the questionnaire.

Juan agrees to examine in-state and out-of-state college costs and determine the monthly amount they would need to save to fund the education goal for either an in-state or out-of-state educational institution

Number of relevant elements

Portion and amount of assets

Length of time

Exposure to Risk

Barriers to modification



Is Financial Planning Required?



APPLYING INTEGRATION FACTORS



Is Financial Planning required?

What if Juan wants to expand the scope of the analysis?

Would Juan be required to provide Financial Planning to Cristabella and Miguel if they requested Financial Advice with respect to both education and retirement savings?



THE FINANCIAL PLANNING PROCESS



SCENARIO: APPLYING INTEGRATION FACTORS

? WHAT if

What if Cristabella and Miguel didn't want to engage Juan in financial planning?

What would you do?

1 Terminate the Engagement.

2 Limit the Scope of Engagement.

3 Provide the requested services but explain how a more comprehensive financial planning relationship could benefit Malik.



LEARNING OBJECTIVE 4

Identify duties when using or referring other service providers or technologies.



POLL: RECOMMENDATIONS

How confident are you when making recommendations of estate attorneys, CPAs, and insurance brokers to clients?

- ☐ I have a personally vetted list for each category
- ☐ I have a personally vetted list for one category, I have websites/resources for clients to do their own research
- ☐ I don't make referrals because I can't be confident my clients will have a good experience
- ☐ Other

SCENARIO: RECOMMENDATIONS

Kareem, a CFP® professional, has a financial planning Client, Javier.

Javier has decided to start a business.



SCENARIO: RECOMMENDATIONS

Javier asks Kareem if he knows of any accountants for small businesses.



SCENARIO: RECOMMENDATIONS

Recommending or Engaging Additional Persons to Provide Professional Services to a Client



Reasonable basis for the recommendation:
Reputation | Experience | Qualifications



Disclosure of any compensation
agreement for referring the provider



When engaging a person to provide services for a Client,
exercise reasonable care to protect the Client's interests.



Practice Tip

Consider recommending more than one person if you have a reasonable
basis for each recommendation.

SCENARIO: TECH RECOMMENDATIONS



WHAT if

Javier asks for recommendations
for small business accounting
software?

Kareem is not familiar with those
programs, but he wants to be
helpful. Kareem knows a colleague
liked CashFlow Finance Solutions.

Does Kareem have enough
knowledge to make a
recommendation?

Technology Standard

Reasonable care and judgment

Reasonable level of understanding

Reasonable basis for trusting
the technology



KNOWLEDGE CHECK – TECHNOLOGY RECOMMENDATION

Identify the appropriate communications to Javier given Kareem's level of knowledge.

- 1 I have no recommendation.
- 2 Cash Flow CareTaker is good.
- 3 My colleague told me they like Cash Flow CareTaker, but I do not have experience with it or other programs.



POLL: RECOMMENDATIONS

When was the last time you meaningfully updated your tech stack (CRM, planning software, reporting tools, etc.)?

- ☐ Within the last 6 months
- ☐ 6–12 months ago
- ☐ 1–2 years ago
- ☐ Over 2 years ago

ETHICS & ADVISOR TECHNOLOGY USE

- Advisors are increasingly utilizing technology to do more collaborative planning with clients and create additional efficiency in their firms.
 - Use of real-time, client-facing planning software grew from 33% (2020) to 53% (2024).
 - Most productive advisor teams tend to have robust tech stacks.
- Firms are also increasingly leveraging AI tools, such as AI-generated meeting notes.



SELECTING & USING TECHNOLOGY

- Understand the Technology Platform.
- Monitor the Technology Platform.
- If selecting, conduct due diligence (can reasonably rely on your firm or custodian's due diligence).
- Gain necessary proficiency.
- Understand embedded assumptions.
- Gut check output.

Technology is a tool.

Technology does not replace expertise.

LEARNING OBJECTIVE 5

Describe the process the CFP Board follows to uphold the Code and Standards.



ENFORCEMENT PROCESS OVERVIEW

After watching the video, be prepared to answer these questions:

Which sanctions are published on CFP® Board's website?

- ☒ Public censure
- ☒ Suspension
- ☐ Private censure
- ☒ Revocation

Which statements about the Disciplinary and Ethics Commission (DEC) are TRUE?

- ☒ The DEC is comprised of CFP® professionals and members of the public
- ☐ The DEC investigates allegations
- ☒ The DEC imposes sanctions



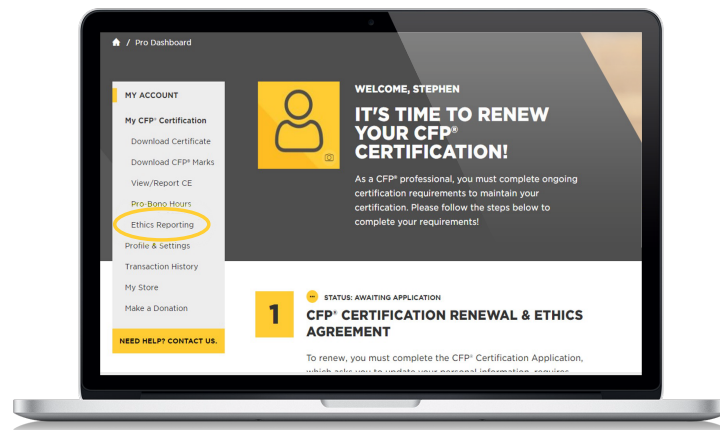
IMPORTANCE OF THE DUTY TO REPORT

The Sanction Guideline for violation of the Duty to Report is a **Public Censure** even if the reportable matter would not have ultimately resulted in a sanction.

You must self-report events within **30 days**.



HOW TO REPORT



REPORTING – GENERAL CATEGORIES

- Regulatory or SRO Investigations or actions
- License suspension or revocation
- Felonies and certain misdemeanors
- Customer complaints
- Termination for regulatory or firm policy violation
- Litigation or arbitration
- Bankruptcies and liens



REPORTING – COMMON MISTAKES

- Waiting until next renewal cycle to report
- Waiting to report a complaint until the firm has investigated
- Not reporting events unrelated to Professional Services
- Assuming your firm will handle reporting



LEARNING OBJECTIVE 6

Determine what information must be provided to the Client and when to document the exchange of information.

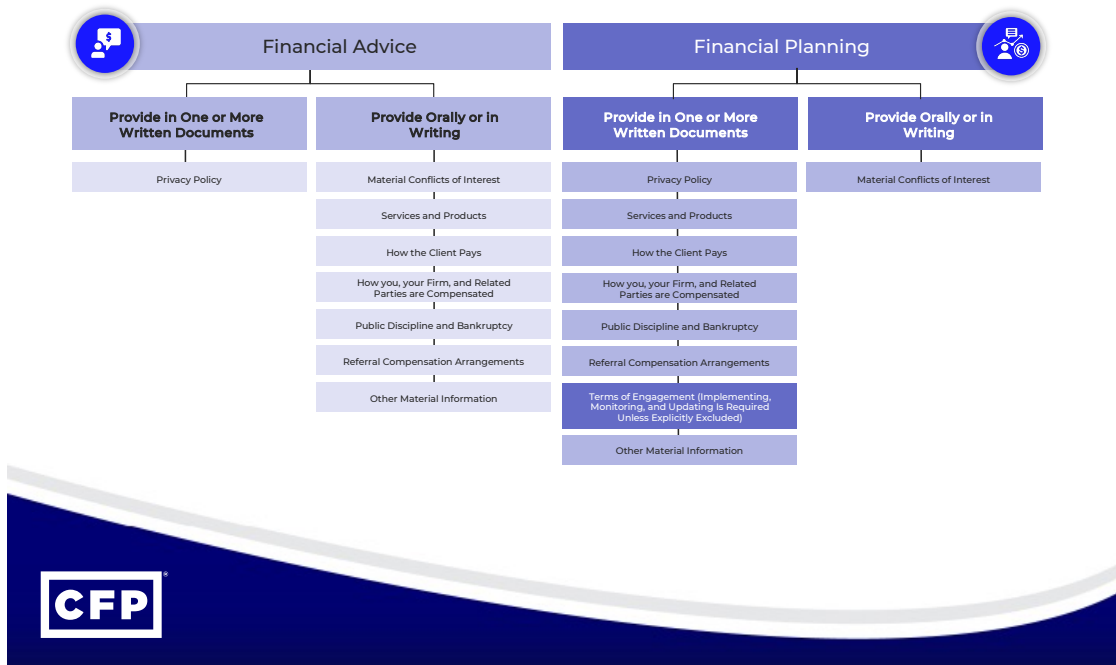


POLL: PROVIDING INFORMATION

How do you document when you provide information (e.g., privacy policy, conflicts of interest) to clients?

- ☐ CRM
- ☐ Compliance software
- ☐ Custom firm document
- ☐ Email Sent Folder
- ☐ Pencil and Paper
- ☐ Memory Bank

DUTY TO PROVIDE INFORMATION TO A CLIENT



WHEN TO PROVIDE INFORMATION



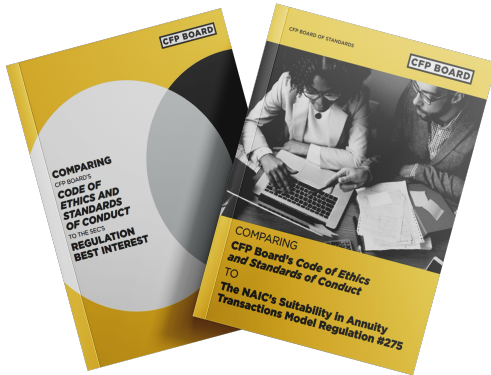
CFP BOARD RESOURCES!



DUTIES OF A CFP® PROFESSIONAL

| | To Clients | To Firms and Subordinates | To CFP Board |
|---------------------------|--|--|--|
| At All Times | Integrity Competence Diligence Sound and Objective Professional Judgement Professionalism Comply with the Law Confidentiality and Privacy Duties When Communicating with a Client Duties When Selecting, Using and Recommending Technology Refrain from Borrowing or Lending Money and Commingling Financial Assets | Use Reasonable Care When Supervising Comply with Lawful Objectives of CFP® Professional's Firm Provide Notice of Public Discipline | Refrain from Adverse Conduct Reporting Provide Narrative Statement Cooperation Compliance with Terms and Conditions of Certification and Trademark License |
| Financial Advice | The Duties That Apply At All Times (see above) Fiduciary Duty Disclose and Manage Conflicts of Interest Provide Information to a Client Duties When Recommending, Engaging and Working with Additional Persons | <div> <p>A CFP® Professional Has Duties That Apply</p> </div> | |
| Financial Planning | The Duties That Apply When Providing Financial Advice (see above) The Practice Standards for the Financial Planning Process Information to Client in Writing | | |

CFP BOARD'S COMPLIANCE RESOURCE LIBRARY



- Over **35 case studies** with real-world scenarios
- **15 guides** including:
 - Comparison guides to Reg BI and NAIC Model Regulation
 - Managing Conflicts
 - Duty of Care
 - Financial Planning Process
 - Financial Advice Engagement Disclosure



TECHNOLOGY RESOURCES

Comprehensive guidance to assist CFP® professionals

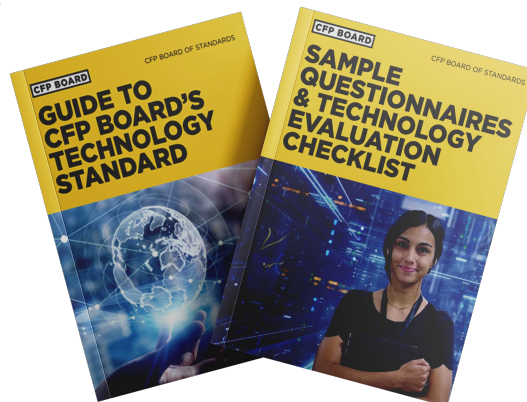


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CFP BOARD

ROADMAP

TO THE CODE OF ETHICS & STANDARDS OF CONDUCT

EFFECTIVE DATE: OCTOBER 1, 2019



**Want to
connect with
this presenter?**

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