

CFP BOARD

**Welcome to Our live webinar:
ETHICAL PRACTICES FOR PROFESSIONALS
(COURSE#: 277681)**

The presentation will begin shortly...
(presentation begins promptly at 2:00PM Eastern Time)

To View Polling Panel: (This is where you will answer all polling questions. Please do not try to answer the Vignettes they are just for review.)

- Click on the view menu at the top left of the screen
- Select Panels from the drop-down menu
- Select Manage Panels...
- Click on Polling from the left panel under "Available panels;" and then click on the "Add >" button
- Click OK
- The Polling panel should be in the panel on the right of the screen. (may not open until Ed begins polling - he will let everyone know)
- Answer the polling questions by clicking in the circle next to the answer you wish to select and then hit the "Submit" button.

CFP BOARD


**ETHICS CE: CFP BOARD'S REVISED
CODE AND STANDARDS**

ETHICAL PRACTICES FOR CFP PROFESSIONALS
BROKER EDUCATIONAL SALES & TRAINING, INC.
DATE OF PRESENTATION 2/22/21

CFP BOARD

Your Instructor


- Edward J. Barrett
 - Founder and CEO of Broker Educational Sales & Training, Inc. (BEST)
 - CFP® certification (1987)
- BEST CFP® Provider # 2155
- Questions
 - AskEd@brokered.net
 - 800-345-5669



CFP®, ChFC®, CLU®, RPA®,
CEBS®, CRPC®, CRPS® and
CPFA®

Conditions For Earning CE Credit **CFP BOARD**

- Each attendee must sign-in using their own log-in
- Attendee must be logged-in at the start of the webinar and remain logged in to the end of the program.
- Attendee must actively participate in all Vignettes and Polling Activities.
- Attendee must complete the formal evaluation form at the conclusion of the program.



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Disclaimer **CFP BOARD**

The content of this program is based on CFP Board's *Code of Ethics and Standards of Conduct (Code and Standards)*, which became effective on June 30, 2020.

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LEARNING OBJECTIVES **CFP BOARD**

- Understand the structure and content of the revised *Code and Standards*, including significant changes from prior rules.
- Describe CFP Board's Fiduciary Duty.
- Identify Material Conflicts of Interest and How to Avoid, or Fully Disclose, Obtain Informed Consent, and Manage Them.
- Understand the Duty to Report to CFP Board and the Duty to Cooperate.
- Identify the *Practice Standards* When Providing Financial Advice that Requires Financial Planning or Financial Planning.
- Understand the Duty to Provide Information to Clients When Providing Financial Advice and/or Financial Planning.

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LEARNING OBJECTIVE 1

UNDERSTAND THE STRUCTURE AND CONTENT OF THE REVISED *CODE AND STANDARDS*, INCLUDING SIGNIFICANT CHANGES FROM PRIOR RULES.

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The Revised *Code and Standards* **CFP BOARD**

- New Structure and Organization
- Overview of the Duties of a CFP® Professional
- Introduction to Significant Changes to Content
 - Fiduciary Duty
 - Conflicts of Interest
 - Duty to Report and Duty to Cooperate

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Preamble to the *Code and Standards* **CFP BOARD**

CFP Board's *Code of Ethics and Standards of Conduct* reflects the commitment that all CFP® professionals make to high standards of competency and ethics. CFP Board's *Code and Standards* benefits and protects the public, provides standards for delivering financial planning, and advances financial planning as a distinct and valuable profession. Compliance with the *Code and Standards* is a requirement of CFP® certification that is critical to the integrity of the CFP® marks. Violations of the *Code and Standards* may subject a CFP® professional to discipline.

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Code of Ethics **CFP BOARD**

A CFP® professional must:

- Act with honesty, integrity, competence, and diligence.
- Act in the client's best interests.
- Exercise due care.
- Avoid or disclose and manage conflicts of interest.
- Maintain the confidentiality and protect the privacy of client information.
- Act in a manner that reflects positively on the financial planning profession and CFP® certification.

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Standards of Conduct – Six Sections **CFP BOARD**

<p>A. <i>Duties Owed to Clients</i></p>	<p>D. <i>Duties Owed to Firms and Subordinates</i></p>
<p>B. <i>Financial Planning and Application of the Practice Standards for the Financial Planning Process</i></p>	<p>E. <i>Duties Owed to CFP Board</i></p>
<p>C. <i>Practice Standards for the Financial Planning Process</i></p>	<p>F. <i>Prohibition on Circumvention</i></p>

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The Practice Standards for the Financial Planning Process **CFP BOARD**

Definition:

Financial Planning is 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.

The Financial Planning Process

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Glossary **CFP BOARD**

GLOSSARY

CFP® Professional's Firm(s). Any entity on behalf of which a CFP® professional provides Professional Services to a Client, and that has the authority to exercise control over the CFP® professional's activities, including the CFP® professional's employer, broker-dealer, registered investment adviser, insurance company, and insurance agency.

Client. Any person, including a natural person, business organization, or legal entity, to whom the CFP® professional provides or agrees to provide Professional Services pursuant to an Engagement.

Conflict of Interest.

- When a CFP® professional's interests (including the interests of the CFP® Professional's Firm) are adverse to the CFP® professional's duties to a Client, or
- When a CFP® professional has duties to one Client that are adverse to another Client.

Control. The power, directly or indirectly, to direct the management or policies of the entity at the relevant time, through ownership, by contract, or otherwise.

Control Person. A person who has Control.

Engagement. An oral or written agreement, arrangement, or understanding.

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Significant Changes to Content **CFP BOARD**

STANDARD A.1: FIDUCIARY DUTY

STANDARD A.5: CONFLICTS OF INTEREST

STANDARD E.3: DUTY TO REPORT

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Duties of a CFP® Professional **CFP BOARD**

CFP Board's *Code of Ethics and Standards of Conduct* reflects the commitment that all CFP® professionals make to high standards of competency and ethics.

	To Clients	To Firms and Subordinates	To CFP Board
At All Times	<ul style="list-style-type: none"> Integrity Competence Objectivity Sound and Objective Professional Judgment Professionalism Confidentiality and Privacy Compliance with the Law Duties When Communicating with a Client Duties When Representing Compensation Method Duties When Seeking, Using, and Recommending Technology Reserve from Investment and Lending Process and Commonly Traded Asset 	<ul style="list-style-type: none"> Use Reasonable Care When Supervising Comply with Laws and Regulations of CFP Professional's Firm Provide Notice of Public Discipline 	<ul style="list-style-type: none"> Protect from Adverse Conduct Reporting Provide Biennial Statement Cooperation Compliance with Terms and Conditions of Certification and Recertification
Financial Advice	<ul style="list-style-type: none"> Full Disclosure Investment Advice Disclose and Manage Conflicts of Interest Provide Information to a Client Disclose Investment, Custodial, and Marketing and Additional Income 		
Financial Planning	<ul style="list-style-type: none"> The Rules Total Apply When Providing Financial Advice (see above) The Reporting Requirements for the Financial Planning Process Information to a Client in Writing 		

A CFP® Professional Has Duties That Apply:

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Duties of a CFP® Professional: To Clients **CFP BOARD**

At All Times	To Clients
	<ul style="list-style-type: none"> • Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets

L.O.1: REQUIRED EXERCISE 1 **CFP BOARD**

Understanding the Term "Fee Based"

<https://www.cfp.net/ethics/compliance-resources/2019/02/understanding-the-term-fee-based>

Time 1:28 (min: sec)

EXERCISE

Duties: Representing Compensation **CFP BOARD**

At All Times	To Clients
	<ul style="list-style-type: none"> • Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets

Are you Fee Only?

Duties: Working With Additional Persons **CFP BOARD**

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**

VIGNETTE 1 **CFP BOARD**

- A CFP® Professionals Firm's Sales Related Compensation.

Mildred is a CFP® professional employed by Alpha Advisory Services, Inc. ("Alpha"), a registered investment adviser. Mildred tells Thomas, a client of Alpha, that her compensation method is "fee-only." Thomas asks Mildred for investment recommendations. Mildred gathers the information that she needs, conducts an appropriate analysis, and recommends that Thomas invest in an Alpha-approved family of mutual funds after making the required disclosures. Thomas is pleased with Mildred's recommendation and directs her to make the investment. The only compensation that Mildred receives is a salary from Alpha. Mildred does not receive any additional compensation when Thomas invests in the mutual fund. Although her firm discloses the information to Clients, Mildred does not realize that Alpha receives revenue sharing payments from the mutual funds she recommends, including the Alpha-approved family of mutual funds in which Thomas has invested.

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Has Mildred complied with the Duties When Representing Compensation Method (Standard A-12)?

- **Response Options:**

- Yes. Mildred accurately informed Thomas that she is "fee-only" because her only source of compensation is her salary and she does not receive any additional compensation when Thomas invests in the mutual fund.
- No. Mildred may not refer to her compensation method as "fee-only" because her firm, Alpha, receives revenue sharing payments from mutual funds.
- Yes. Mildred may refer to her compensation method as "fee-only" because she is not aware that Alpha receives revenue sharing payment from mutual funds, and thus she has no incentive to recommend the mutual funds to Client.

CFP BOARD

Best Response: B is correct:

- A CFP® professional may not make false or misleading representations regarding the CFP® professional's or the CFP® Professional's Firm's method(s) of compensation. A CFP® professional may represent his or her or the CFP® Professional's Firm's compensation method as "fee-only" if:
 - The CFP® professional and the CFP® Professional's Firm receive no Sales-Related Compensation; and
 - Related Parties receive no Sales-Related Compensation in connection with any Professional Services the CFP® professional or the CFP® Professional's Firm provides to Clients.
- Mildred may not refer to her compensation method as "fee-only" because her firm will receive Sales-Related Compensation. Mildred's failure to know that her firm receives Sales-Related Compensation does not excuse her representation that her compensation method is "fee-only." Whether a CFP® professional may represent his or her compensation as "fee-only" depends on the objective facts, not on his or her subjective beliefs. Mildred is responsible for knowing whether she or her firm receives Sales-Related Compensation, and whether any Related Parties receive Sales-Related Compensation in connection with any Professional Services she or her firm provides to Clients.

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Polling Questions

- The term "fee-based" may only be used if the CFP® Professional satisfies the standard for being "fee-only."
 Answer Options: True False

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LEARNING OBJECTIVE 2

DESCRIBE CFP BOARD'S FIDUCIARY DUTY

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L.O.2: REQUIRED EXERCISE 1 **CFP BOARD**

EXERCISE

THE FIDUCIARY OBLIGATION

- <https://www.cfp.net/ethics/compliance-resources/2018/12/the-fiduciary-obligation>
- Time 1:50 (min:sec)

Fiduciary Duty (Standard A.1) **CFP BOARD**

The cornerstone of the *Code and Standards* is the Fiduciary Duty. At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary and, therefore, act in the best interests of the Client.

What does it mean to act as a fiduciary and, therefore, act in the best interests of the Client? A CFP® professional must fulfill the following duties:

FIDUCIARY DUTY

= Duty of Loyalty + Duty of Care + Duty to Follow Client Instructions

VIGNETTE 2 **CFP BOARD**

- **Apply the Fiduciary Duty to Client Instructions that Conflict with the Duty of Care**

Holly, a CFP® professional, has an Engagement with Pat to provide Financial Advice addressing long-term investing for retirement and other needs later in life. Pat indicates that he is socially conscious and would be interested in investing in companies that are consistent with his views. Holly tells Pat that there are environmental, social, and corporate governance ("ESG") mutual funds that are consistent with Pat's goals. Pat responds that he would like to see what those look like.

Holly collects information about Pat's goals, risk tolerance, objectives, and financial and personal circumstances. She then develops an appropriate asset allocation and begins reviewing ESG investments that would fill the allocations for the asset classes. As she does that work, Holly discovers that, in two of the asset classes, while ESG funds are available, the ESG funds for those asset classes are not funds that Holly, based on her analysis, believes are the best available options for Pat.

CFP BOARD

Question: What should Holly do to fulfill her Fiduciary Duty?

Response Options:

- A. Recommend ESG funds for those two asset classes because Pat had indicated that he was interested in ESG funds.
- B. Review her conclusions with Pat, explain the reasons why she would not recommend the funds, and ask Pat whether he would be interested in considering non-ESG investments.
- C. Inform Pat that she cannot proceed with the Engagement because the only ESG funds that are available in the relevant asset classes are ESG funds that she normally would not recommend.

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CFP BOARD

Best Response: B is correct:

This case study involves the Fiduciary Duty (Standards A.1.) including the Duty of Care (Standard A.1.b.) and the Duty to Follow Client Instructions (A.1.c.).

At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and therefore, act in the best interests of the Client. Under the Duty of Care, a CFP® professional must act with the care, skill, prudence and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives and financial and personal circumstances. Under the Duty to Follow Client Instructions, a CFP® professional must comply with all objectives, policies, restrictions, and other terms of the Engagement and all reasonable and lawful directions of the Client.

When a CFP® professional realizes that the Client's suggested course of action is not, in the CFP® professional's judgment, in the Client's best interests, the CFP® professional must fulfill the Duty of Care and the Duty to Follow Client Instructions by informing the Client of that conclusion, the CFP® professional's reasons therefore, and the possible consequences of taking the course of action. If the Client specifically directs the CFP® professional to follow instructions that are reasonable and lawful, then the CFP® professional is obligated to follow those instructions. When a CFP® professional cannot identify prudent recommendations due to Client restrictions, the CFP® professional must exercise due care in selecting from among the pool of investments that comply with the Client direction.

In this case, Pat merely has indicated an interest in ESG funds and has not specifically directed Holly to invest exclusively in ESG funds. Holly should review her conclusions with Pat, explain the reasons why she normally would not recommend ESG funds in this circumstance, and ask Pat whether he would prefer to invest in the ESG funds or consider non-ESG investments. If Pat directs that only ESG funds be used for his account, then Holly should follow those instructions and select the ESG funds in these categories that she reasonably believes are the best available options.

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Polling Question

1. Duties of Loyalty, Care and to Follow Client Instructions are components of the Fiduciary Duty that is owed to Clients.
Answer Options: True False

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LEARNING OBJECTIVE 3

IDENTIFY MATERIAL CONFLICTS OF INTEREST AND HOW TO AVOID, OR FULLY DISCLOSE, OBTAIN INFORMED CONSENT, AND MANAGE THEM.

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Conflicts of Interest **CFP BOARD**

A CFP® professional must avoid or disclose, obtain informed consent and manage material conflicts of interest.

- Material:
 - When a reasonable Client or prospective Client would consider the Conflict of Interest important in making a decision

A "Conflict of Interest" arises when:

- A CFP® professional's interests (including the interests of the CFP® Professional's Firm) are adverse to the CFP® professional's duties to a Client; or
- A CFP® professional has duties to one Client that are adverse to another Client.

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Examples of Conflicts of Interest **CFP BOARD**

- Compensation and Incentives
- Acting for Multiple Clients
- 401k Rollover
- Affiliate Products
 - Higher commission

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VIGNETTE 3 **CFP BOARD**

■ **The Duty to Disclose and Manage Material Conflicts of Interest Involving Proprietary Products.**

Frank, a CFP® professional, has a Client, Margaret, a single parent of two young children who is in her early 30s and works full time. Margaret became Frank's Client after they met while serving together on the Board of Trustees at the school their children attend. Margaret tells Frank that she needs life insurance to protect her children and that she wants advice on how to save for retirement and her children's college education. Frank agrees to provide Financial Advice on these issues.

Frank is an insurance agent for Old Jersey Life who only is licensed to sell life insurance and fixed annuity products. Under his agent agreement with Old Jersey, Frank is required only to offer Old Jersey products. Old Jersey offers a variety of life insurance products, including term and permanent life insurance. Permanent life insurance accumulates cash value over time that the policy owner may use to fund a lifetime death benefit or for other purposes, such as supplemental retirement income. Term insurance provides a death benefit only for a defined period. Premiums usually are higher for permanent life insurance than for term insurance.

Frank receives commissions and certain employment benefits from Old Jersey. Frank earns commissions from selling insurance products that are based on a percentage of the premium that the Client pays. Frank receives a commission that is a higher percentage of the premium that the Client pays for some Old Jersey products than other Old Jersey products. Frank conducts a careful analysis of the Client's needs and the available Old Jersey products and recommends a product that is in Margaret's best interests. Assume that Frank fulfilled his Duty of Care and Duty of Loyalty in making his recommendation.

CFP BOARD

Question: Which of the following are not *Material Conflicts of Interest* under the *Code and Standards*?

Response Options:

- A. Frank's contract with Old Jersey requires Frank exclusively to offer Old Jersey products to his Clients.
- B. Frank and Margaret met while serving on the Board of Trustees of their children's school.
- C. Frank receives compensation only for providing Financial Advice on the sale of insurance products.
- D. The premiums of permanent life insurance are higher than the premiums for term insurance, which means that Frank receives more compensation when he sells a Client permanent life insurance than when he sells a Client term life insurance.

CFP BOARD

Best Response: B is correct:

This question involves the Duty to Disclose and Manage Conflicts of Interest (Standard A.5.), and the definitions of Conflict of Interest and Material (Glossary).

When providing Financial Advice, a CFP® professional must make full disclosure of all Material Conflicts of Interest with the CFP® professional's Client that could affect the professional relationship. A Conflict of Interest occurs when a CFP® professional's interests (including the interests of the CFP® Professional's Firm) are adverse to the CFP® professional's duties to a Client. A Conflict of Interest is Material when a reasonable Client or prospective Client would consider the information important in making a decision.

As described in the fact pattern, Response B is not a Conflict of Interest. The fact that Frank met Margaret while serving on the Board of Trustees at the school does not make Frank's interests adverse to his duties to Margaret.

How to Handle Conflicts of Interest **CFP BOARD**

For Material Conflicts that are not avoided:

- Provide Full Disclosure;
- Obtain Client's Informed Consent; and
- Properly Manage the Conflict.

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Full Disclosure and Informed Consent **CFP BOARD**

- **Disclose "Sufficiently Specific Facts"**
 - Would a reasonable Client understand the conflict and how it could affect the advice?
 - Ambiguity interpreted in favor of the Client
- **Delivery**
 - Written disclosure is not required
 - Oral disclosure weighed as CFP Board deems appropriate
- **Obtain Informed Consent**
 - Written consent is not required
 - When will consent be inferred?

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graph LR; A[Material Conflict of Interest] --> B[Disclose]; B --> C[Informed Consent];
```

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Must Also Manage Conflicts **CFP BOARD**

Management of Conflicts

- Must adopt and follow business practices reasonably designed to prevent Material Conflicts from compromising the CFP® professional's ability to act in the Client's best interests

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graph LR; A[Material Conflict of Interest] --> B[Disclose]; B --> C[Informed Consent]; C --> D[Manage];
```

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Polling Questions **CFP BOARD**

1. A Conflict of Interest is present when the interests of the CFP® professional and the interests of the Client are adverse.
Answer Options: True False
2. Ambiguity in a Conflict of Interest disclosure provided to a Client will be interpreted in favor of the Client.
Answer Options: True False
3. Acting in the best interest of the Client excuses failure to make full disclosure of the Material Conflict of Interest.
Answer Options: True False
4. A CFP® professional must adopt and follow business practices reasonably designed to prevent Material Conflicts of Interest.
Answer Options: True False

CFP BOARD

LEARNING OBJECTIVE 4

UNDERSTAND THE DUTY TO REPORT TO CFP BOARD AND THE DUTY TO COOPERATE.

Duty to Report **CFP BOARD**

- Applies at the initiation and the conclusion of the reportable matter.
- Within 30 days.
- A narrative statement that accurately and completely describes the material facts and the outcome or status of the reportable matter.
- Online reporting form that is located at [CFP.net/ethics/reporting](https://www.cfp.net/ethics/reporting).
- Can seek guidance on the Duty to Report at compliance@cfpboard.org.

Duty to Cooperate **CFP BOARD**

The *Code and Standards* (Standard E.5.) also expands upon a CFP® professional's Duty to Cooperate.

- A CFP® professional may not make false or misleading representations to CFP Board or obstruct CFP Board in the performance of its duties.
- A CFP® professional also must cooperate fully with CFP Board's requests, investigations, disciplinary proceedings, and disciplinary decisions.
- As described more fully in CFP Board's *Procedural Rules* (Article 1.3), cooperation includes providing documents and information, admitting or denying facts, appearing for oral examination, and using reasonable efforts to obtain documents, information, and witness appearances from third parties.

Importance **CFP BOARD**

- The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct and uphold the high standards of competency and ethics set forth in the *Code and Standards*.
- A CFP® professional's failure to report the required information to CFP Board constitutes a violation of the *Code and Standards*, even if the matter that the CFP® professional was required to report does not reveal misconduct.
- A failure to comply with the Duty to Cooperate constitutes a violation of the *Code and Standards*

L.O.4: REQUIRED EXERCISE **CFP BOARD**

Document	Compliance Resources Location
DUTY TO REPORT INFORMATION TO CFP BOARD AND DUTY TO COOPERATE WITH CFP BOARD INVESTIGATIONS	Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/cfp-board-duty-to-report-and-cooperate.pdf

EXERCISE

CFP BOARD

LEARNING OBJECTIVE 5

IDENTIFY THE *PRACTICE STANDARDS* WHEN PROVIDING FINANCIAL ADVICE THAT REQUIRES FINANCIAL PLANNING OR FINANCIAL PLANNING

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L.O.5: REQUIRED EXERCISE 1

EXERCISE

- **WHAT IS FINANCIAL PLANNING?**
 - <https://www.cfp.net/ethics/compliance-resources/2019/05/what-is-financial-planning>
 - Time 1:22

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CFP BOARD

Application Of The *Practice Standards*

The *Practice Standards* Apply When:

- The CFP® professional:
 - agrees to provide or provides Financial Planning
 - agrees to provide or provides Financial Advice that requires integration of relevant elements to act in Client's best interests
- The Client has a reasonable basis to believe the CFP® professional will provide or has provided Financial Planning

The Financial Planning Process

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L.O.5: REQUIRED EXERCISE 2 **CFP BOARD**

INTEGRATION FACTORS

- <https://www.cfp.net/ethics/compliance-resources/2019/05/integration-factors>
- Time 1:32

EXERCISE

Clients Who Do Not Want Financial Planning **CFP BOARD**

If a CFP® professional otherwise must comply with the *Practice Standards*, but the Client does not agree to engage for Financial Planning, a CFP® professional must either:

- Not enter into the Engagement;
- Limit the scope to services that do not require Financial Planning;
- Provide the requested service but explain how Financial Planning will benefit the Client and how not providing Financial Planning will limit the Financial Advice; or
- Terminate the Engagement.

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A Review of the Seven Steps

L.O.5: REQUIRED EXERCISE 3 **CFP BOARD**

Video	Compliance Resources Location
THE FIRST THREE STEPS OF THE FINANCIAL PLANNING PROCESS	https://www.cfp.net/ethics/compliance-resources/2019/08/the-first-three-steps-of-the-financial-planning-process Time: 1:39

EXERCISE

Documentation **CFP BOARD**

When to Document:
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 interest; and
- The Firm's policies and procedures.

Acceptable Documentation:

- CRM software;
- Handwritten notes; or
- Emails

WHEN IN DOUBT, DOCUMENT

VIGNETTE 4 **CFP BOARD**

- Interpreting the Practice Standard for Identifying and Selecting Goals:

Tania (age 43) and Bonnie (age 45) engage with Scott, a CFP® professional, for Financial Planning. In accordance with step 1 of the Practice Standards for the Financial Planning Process, Scott obtains and analyzes the qualitative and quantitative information necessary to fulfill the Scope of the Engagement and assess Tania and Bonnie's personal and financial circumstances. Tania and Bonnie rent an apartment, have modest savings in low-yielding savings accounts (\$50,000) and retirement assets (\$100,000), are cash flow positive with moderate expenses, and are carrying high interest credit card debt (\$15,000). For the last 11 years, Tania and Bonnie have invested for retirement in conservative Financial Assets, with most of their retirement assets allocated to fixed income and cash equivalent investments. They sold their more growth-oriented portfolio at market lows.

Tania and Bonnie indicate their two primary goals are (1) to save the funds that they will need in approximately 5 years to make a 20% down payment (\$70,000) on the purchase of a \$350,000 small beach condo on the South Carolina coast that they will use for vacations while working and then in retirement, and (2) to retire at age 65 with a net retirement income of \$75,000 in today's dollars.

CFP BOARD

Question: What actions must Scott take to address Tania and Bonnie's goals, in accordance with Step 2 of the Practice Standards for the Financial Planning Process?

Response Options:

- A. Scott must assist Tania and Bonnie in planning to accomplishing their stated goals, without considering how they may impact other potential goals.
- B. Scott must help Tania and Bonnie identify their goals, and the impact that a particular goal may have on other goals. Scott also must help Tania and Bonnie select and prioritize goals.
- C. Scott must provide Tania and Bonnie with Financial Advice concerning the goals to include in their financial plan without regard to their expressed goals.

CFP BOARD

Best Response: B is correct

This case involves the Practice Standards for the Financial Planning Process, Identifying and Selecting Goals (Standard C.2).

The second step of the Financial Planning Process involves identifying and selecting 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. A CFP® professional also 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.

Here Scott must discuss with Tania and Bonnie his assessment of their financial and personal circumstances, including their high interest credit card debt, current investment allocation, and stated goals. Scott also must discuss with Tania and Bonnie the assumptions and estimates that he is making, such as their life expectancy, current and future tax and inflation rates, and anticipated investment returns and expenses. Scott must use this information to help Tania and Bonnie identify other potential goals, including how each goal may affect the other goals. Here, for example, if Tania and Bonnie prioritize the goal of saving for a vacation home down payment and making ongoing mortgage payments and maintenance costs, then that goal may affect the funds that will be available for retirement at age 65, and such other potential goals that they may identify.

CFP BOARD

L.O.5: REQUIRED EXERCISE 5

Video	Compliance Resources Location
THE FOURTH AND FIFTH STEPS OF THE FINANCIAL PLANNING PROCESS	https://www.cfp.net/ethics/compliance-resources/2019/08/the-fourth-and-fifth-steps-of-the-financial-planning-process Time: 1:16

EXERCISE

L.O.5: REQUIRED EXERCISE 6 **CFP BOARD**

EXERCISE

Video	Compliance Resources Location
<p>THE SIXTH AND SEVENTH STEPS OF THE FINANCIAL PLANNING PROCESS</p>	<p>https://www.cfp.net/ethics/compliance-resources/2019/09/the-sixth-and-seventh-steps-of-the-financial-planning-process</p> <p>Time: 2:30</p>

VIGNETTE 5 **CFP BOARD**

- **Interpreting the Practice Standard for Implementing the Financial Planning Recommendation(s):**

Rick, a CFP® professional, has presented his Financial Planning recommendations to his Clients Mike and Sofia. He previously informed the Clients of his Material Conflicts of Interest, explained how he will manage the conflicts, and obtained the Clients' informed consent. His Financial Planning recommendations include obtaining additional term life insurance and reallocating their retirement savings to investment products that are designed to maximize their potential to meet long-term goals. Rick explains to his Clients that he implements recommendations relating to investment products, for which he charges an ongoing management fee. For the implementation of other recommendations, Rick communicates with his Clients their responsibility and the responsibilities of any third-party.

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Question: What should Rick do next to comply with the Practice Standards for the Financial Planning Process?

Response Options:

- A. Instruct his clients to complete an online account application to begin implementing the recommendations.
- B. Provide his clients with the historical track record of his investment recommendations to establish that he is competent to recommend investment products.
- C. Discuss with his clients the basis for selecting an action, product, or service, and the timing and priority of implementing the action, product, or service.
- D. Recommend an insurance agent from a referral network that provides Rick with referral compensation.

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Best Response: C is correct

This case involves the Practices Standards for the Financial Planning Process, Implementing the Financial Planning Recommendations (Standard C.6).

The Practice Standards provide, in step 6, that 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.

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.

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.

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.

In this case, Rick has already disclosed his Material Conflicts of Interest and how he will manage those conflicts. Therefore, the next step is for Rick to discuss with his Clients the basis for selecting an action, product, or service, and the timing and priority of implementing the action, product, or service.

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Polling Question

1. There are seven steps in the Financial Planning process.
 Answer Options: True False

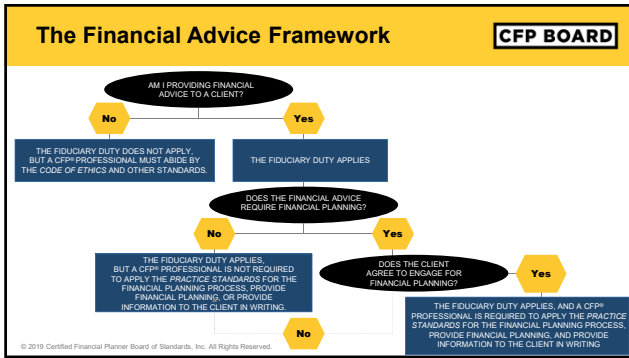
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LEARNING OBJECTIVE 6

UNDERSTAND THE DUTY TO PROVIDE INFORMATION TO CLIENTS WHEN PROVIDING FINANCIAL ADVICE AND/OR FINANCIAL PLANNING.

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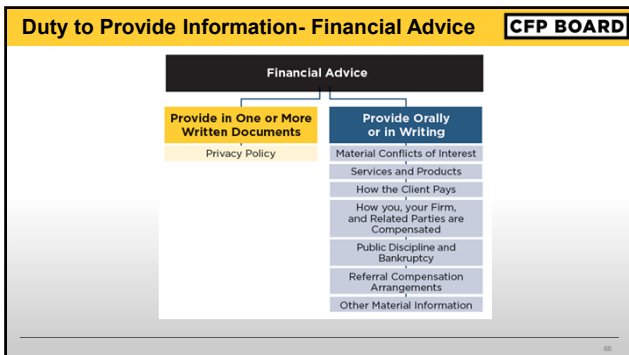
Am I Providing Financial Advice? CFP BOARD

WHAT IS FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action with respect to:
 - The development or implementation of a Financial Plan;
 - The value of or the advisability of investing in, purchasing, holding, gifting, or selling Financial Assets;
 - Investment policies or strategies, portfolio composition, the management of Financial Assets, or other financial matters; or
 - The selection and retention of other persons to provide financial or Professional Services to the Client; or
 - The exercise of discretionary authority over the Financial Assets of a Client.

WHAT IS NOT FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would not reasonably be viewed as a recommendation;
- Responses to directed orders; and
- The following, if a reasonable CFP® professional would not view it as Financial Advice:
 - Marketing Materials;
 - General Financial Education; and
 - General Financial Communications.



VIGNETTE 6 **CFP BOARD**

- **The Delivery of Firm Research Does Not Constitute Financial Advice.**

Meghan is a CFP® professional who is a registered representative of a broker-dealer. Ted, a longtime Client, asks Meghan for information regarding a specific stock he is considering purchasing. Meghan provides Ted a research report on the stock that her firm prepared. The research report states that the stock is undervalued. Meghan tells Ted that she has not analyzed whether the stock is a good investment for him. Ted reviews the research report and then directs Meghan to purchase the stock for him.

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Question: Which of the following best describes Meghan's duty?

Response Options:

A. Meghan does not have a Fiduciary Duty because Ted identified the specific stock at issue.

B. Meghan does not have a Fiduciary Duty because she did not provide Financial Advice when she communicated with Ted regarding the advisability of purchasing the stock.

C. Meghan has a Fiduciary Duty because Meghan effected the transaction for Ted.

CFP BOARD

Best Response: B is correct

This case study involves the Fiduciary Duty (Standard A.1.) and the definitions of Client and Financial Advice (Glossary).

At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and therefore, act in the best interests of the Client. A Client is any person to whom the CFP® professional provides or agrees to provide Professional Services pursuant to an Engagement. Financial Advice includes a communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action with respect to, among other things, the value of or the advisability of investing in, purchasing, holding, gifting, or selling Financial Assets. The determination of whether Financial Advice has been provided is an objective rather than subjective inquiry. The more individually tailored the communication is to the Client, the more likely the communication will be viewed as Financial Advice.

In this circumstance, Ted is Meghan's longtime Client. Meghan responded to Ted's question by providing a research report that her firm prepared. The research report was not individually tailored to Ted's personal and financial circumstances. Meghan also mentioned to Ted that she has not analyzed whether the stock is a good investment for him. The content, context, and presentation makes clear that Meghan did not recommend that Ted purchase the stock. Therefore, Meghan did not provide Financial Advice to Ted. The duty to act as a fiduciary arises when a CFP® professional provides Financial Advice to a Client. Since Meghan did not provide Financial Advice, she was not required to act as a fiduciary.

L.O.6: REQUIRED EXERCISE 2 **CFP BOARD**

Document	Compliance Resources Location
FINANCIAL ADVICE ENGAGEMENTS COMPLIANCE CHECKLIST	Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FA-Checklist.pdf

EXERCISE

Am I Providing Financial Planning? **CFP BOARD**

Have I agreed to provide or have I provided Financial Planning?
 YES NO

Does the Financial Advice I agreed to provide require integration of relevant elements of the Client's personal and/or financial circumstances in order to act in the Client's best interests, taking into account the Integration Factors set forth to the right?
 YES NO

Does the Client have a reasonable basis to believe that I will provide or have provided Financial Planning?
 YES NO

Integration Factors:

- The number of relevant elements of the Client's personal and financial circumstances that the Financial Advice may affect.
- The portion and amount of the Client's Financial Assets that the Financial Advice may affect.
- The length of time the Client's personal and financial circumstances may be affected by the Financial Advice.
- The effect on the Client's overall exposure to risk if the Client implements the Financial Advice; and
- The barriers to modifying the actions taken to implement the Financial Advice.

Duty to Provide Information- Financial Planning **CFP BOARD**

Financial Planning

Provide in One or More Written Documents

- Privacy Policy
- Services and Products
- How the Client Pays
- How you, your Firm, and Related Parties are Compensated
- Public Discipline and Bankruptcy
- Referral Compensation Arrangements
- Terms of Engagement (Implementing, Monitoring, and Updating Is Required Unless Explicitly Excluded)
- Other Material Information

Provide Orally or in Writing

- Material Conflicts of Interest

L.O.6: REQUIRED EXERCISE 3 **CFP BOARD**

Document	Compliance Resources Location
FINANCIAL PLANNING ENGAGEMENTS COMPLIANCE CHECKLIST	Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FP-Checklist.pdf

EXERCISE

Timing, Delivery, and Updating **CFP BOARD**

- **Timing** -The required information must be provided prior to or at the time of the Engagement.
- **Delivery** - Does not require the information be provided to the Client in writing when the CFP® professional is only providing Financial Advice. However, a CFP® professional must document the fact that the information was provided to the Client.
- **Updating** A CFP® professional has an ongoing obligation to provide to the Client any information that is a Material change or update to the information required to be provided to the Client.

Polling Question **CFP BOARD**

1. CFP® professional may limit the scope of the Engagement to services that do not require application of the Practice Standards.
Answer Options: True False

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REVIEW

CASE STUDY VIDEOS

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REVIEW CASE STUDY VIDEOS

EXERCISE

Case Study
THE FIDUCIARY DUTY APPLIES TO AN OPINION ABOUT A FINANCIAL ASSET
THE DUTY TO DISCLOSE MATERIAL CONFLICTS OF INTEREST WHEN MAKING A ROLLOVER RECOMMENDATION
THE FIDUCIARY DUTY TO OBTAIN FACTUAL INFORMATION WHEN WORKING ON A TEAM

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Reporting of CE Credit Hour

- BEST will report your CE Ethics credit to the CFP Board within 24 hours of this webinar (meeting CE requirements).
- Student's will receive a Certificate of Completion within 7 – 10 business days of the webinar participation.
- Must complete evaluation form to receive credit

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Resources **CFP BOARD**

Many resources related to the Ethics CE program can be found at: <https://www.cfp.net/ethics/compliance-resources>

Additionally, more general information about the CFP Board *Code of Ethics and Standards of Conduct* can be found on this page: <https://www.cfp.net/ethics/our-commitment>

DON'T FORGET.... **CFP BOARD**

✓ **Importance of the Program Evaluation Form:**

The CFP Board Ethics CE Curriculum is designed to ensure all CFP® professionals receive value for their time and perceive the content delivered as meaningful to their daily experiences. The Participant evaluation process is a critical component to ensuring the CFP Board meets this goal.

I will end the webinar. A message will pop up on your screen, click close. The Evaluation Form will then appear for you to fill out and submit .

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THANK YOU
