Chapter 6

FINANCIAL PLANNING PRACTICE STANDARDS

INTRODUCTION

Practice standards draw from ethics and disciplinary rules to describe the process a financial planner should use in working with a client. Because practice standards are related to ethics and disciplinary rules, they provide strong guidance on how to conduct a financial planning practice in accordance with those principles. Unlike ethical standards and disciplinary rules, however, a planner who deviates from a specific practice standard will not be subject to discipline on that basis alone.

Financial planning practice standards are established for CERTIFIED FINANCIAL PLANNERS™ (CFPs®) by the Certified Financial Planner Board of Standards. A summary of these standards in provided in this chapter. All Certified Public Accountants (CPAs), including those who provide personal financial planning advice to clients, are subject to regulation by their respective state boards of accountancy and must adhere to the AICPA Code of Professional Conduct. In addition, the Personal Financial Planning Executive Committee of the AICPA has issued a specific “Statement of Responsibilities in Personal Financial Planning Practice” (AICPA 2010) to provide guidance to the CPA financial planner. Copies of the “Statement” are available at the AICPA’s web site (http://www.aicpa.org).

CFP Board Financial Planning   
Practice Standards

!!!!!!! START SHADING HERE !!!!!!!!

Statement of Purpose for *Financial Planning Practice Standards*

Financial Planning Practice Standards are developed and promulgated by the CFP Board for the ultimate benefit of consumers of financial planning services.

These Practice Standards are intended to:

1. Assure that the practice of financial planning by CERTIFIED FINANCIAL PLANNER™ professionals is based on established norms of practice;

2. Advance professionalism in financial planning; and

3. Enhance the value of the financial planning process.

Description of Practice Standards

A Practice Standard establishes the level of professional practice that is expected of certificants engaged in financial planning.

**PRODUCTION: PLEASE ADD THE FOLLOWING SENTENCE AT THE END OF EVERY PAGE.**

This material is derived from the Certified Financial Planners Board of Standards, Inc. web site: http://www.cfp.net/Learn/Standards.asp.

Practice Standards apply to certificants in performing the tasks of financial planning regardless of the person’s title, job position, type of employment or method of compensation. Compliance with the Practice Standards is mandatory for certificants whose services include financial planning or material elements of the financial planning process, but all financial planning professionals are encouraged to use the Practice Standards when performing financial planning tasks or activities addressed by a Practice Standard.

The Practice Standards are designed to provide certificants with a framework for the professional practice of financial planning. Similar to the Rules of Conduct, they are not designed to be a basis for legal liability to any third party.

Practice Standards were developed for selected financial planning activities identified in a financial planner job analysis first conducted by CFP Board in 1987, updated in 1994 by CTB/McGraw-Hill, an independent consulting firm, and again in 1999 by the Chauncey Group. The financial planning process is defined as follows:

|  |  |
| --- | --- |
| **Financial Planning Process** | **Related Practice Standard** |
| 1. Establishing and defining the relationship with a client | 100-1 Defining the Scope of the Engagement |
|  |  |
| 2. Gathering client data | 200-1 Determining a Client’s Personal and Financial Goals, Needs and Priorities |
|  | 200-2 Obtaining Quantitative Information and Documents |
|  |  |
| 3. Analyzing and evaluating the client’s financial status | 300-1 Analyzing and Evaluating the Client’s Information |
|  |  |
| 4. Developing and presenting financial planning recommendations | 400-1 Identifying and Evaluating Financial Planning Alternative(s) |
| 400-2 Developing the Financial Planning Recommendation(s) |  |
| 400-3 Presenting the Financial Planning Recommendation(s) |  |
|  |  |
| 5. Implementing the financial planning recommendations | 500-1 Agreeing on Implementation Responsibilities |
|  | 500-2 Selecting Products and Services for Implementation |
|  |  |
| 6. Monitoring | 600-1 Defining Monitoring Responsibilities |

Format of Practice Standards

Each Practice Standard is a statement regarding an element of the financial planning process. It is followed by an explanation of the Standard, its relationship to the Code of Ethics and Rules of Conduct, and its expected impact on the public, the profession and the practitioner.

The Explanation accompanying each Practice Standard explains and illustrates the meaning and purpose of the Practice Standard. The text of each Practice Standard is authoritative and directive. The related Explanation is a guide to interpretation and application of the Practice Standard based, where indicated, on a standard of reasonableness, a recurring theme throughout the Practice Standards. The Explanation is not intended to establish a professional standard or duty beyond what is contained in the Practice Standard itself.

Compliance with Practice Standards

The practice of financial planning consistent with these Practice Standards is required for certificants who are financial planning practitioners. The Practice Standards are used by the CFP Board’s Disciplinary and Ethics Commission and Appeals Committee in evaluating the certificant’s conduct to determine if the Rules of Conduct have been violated, based on the Disciplinary Rules established by the CFP Board.

**!!!!!!! END SHADING HERE !!!!!!!!**

**!!!!!!! START SHADING HERE !!!!!!!!**

PRACTICE STANDARD 100 SERIES:  
ESTABLISHING AND DEFINING THE RELATIONSHIP WITH THE CLIENT

100-1: Defining the Scope of the Engagement

*The financial planning practitioner and the client shall mutually define the scope of the engagement before any financial planning service is provided.*

Explanation of this Practice Standard

Prior to providing any financial planning service, the financial planning practitioner and the client shall mutually define the scope of the engagement. The process of mutually-defining is essential in determining what activities may be necessary to proceed with the engagement.

This process is accomplished in financial planning engagements by:

1. identifying the service(s) to be provided;

2. disclosing the practitioner’s material conflict(s) of interest;

3. disclosing the practitioner’s compensation arrangement(s);

4. determining the client’s and the practitioner’s responsibilities;

5. establishing the duration of the engagement; and

6. providing any additional information necessary to define or limit the scope.

The scope of the engagement may include one or more financial planning subject areas. It is acceptable to mutually define engagements in which the scope is limited to specific activities. Mutually defining the scope of the engagement serves to establish realistic expectations for both the client and the practitioner.

This Practice Standard does not require the scope of the engagement to be in writing. However, as noted in the Relationship section, which follows, there may be certain disclosures that are required to be in writing.

As the relationship proceeds, the scope may change by mutual agreement.

This Practice Standard shall not be considered alone, but in conjunction with all other Practice Standards.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this Practice Standard to the CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 4 – Fairness, Principle 7 – Diligence, and Rules 1.1, 1.2, 1.3, and 2.2.

Anticipated Impact of this Practice Standard

Upon the Public

The public is served when the relationship is based upon a mutual understanding of the engagement. Clarity of the scope of the engagement enhances the likelihood of achieving client expectations.

Upon the Financial Planning Profession

The profession benefits when clients are satisfied. This is more likely to take place when clients have expectations of the process, which are both realistic and clear, before services are provided.

Upon the Financial Planning Practitioner

A mutually defined scope of the engagement provides a framework for the financial planning process by focusing both the client and the practitioner on the agreed upon tasks. This enhances the potential for positive results.

**!!!!!! END SHADING HERE !!!!!!!**

**!!!!!! START SHADING HERE !!!!!!**

PRACTICE STANDARDS 200 SERIES:  
GATHERING CLIENT DATA

200-1: Determining a Client’s Personal and Financial Goals, Needs and Priorities

*The financial planning practitioner and the client shall mutually define the client’s personal and financial goals, needs and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.*

Explanation of this Practice Standard

Prior to making recommendations to the client, the financial planning practitioner and the client shall mutually define the client’s personal and financial goals, needs and priorities. In order to arrive at such a definition, the practitioner will need to explore the client's values, attitudes, expectations, and time horizons as they affect the client’s goals, needs and priorities. The process of mutually-defining is essential in determining what activities may be necessary to proceed with the client engagement.

Personal values and attitudes shape the client’s goals and objectives and the priority placed on them. Accordingly, these goals and objectives must be consistent with the client’s values and attitudes in order for the client to make the commitment necessary to accomplish them.

Goals and objectives provide focus, purpose, vision and direction for the financial planning process. It is important to determine clear and measurable objectives that are relevant to the scope of the engagement. The role of the practitioner is to facilitate the goal-setting process in order to clarify, with the client, goals and objectives. When appropriate, the practitioner shall try to assist clients in recognizing the implications of unrealistic goals and objectives.

This Practice Standard addresses only the tasks of determining the client's personal and financial goals, needs and priorities; assessing the client's values, attitudes and expectations; and determining the client's time horizons. These areas are subjective and the practitioner’s interpretation is limited by what the client reveals.

This Practice Standard shall not be considered alone, but in conjunction with all other Practice Standards.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this Practice Standard   
to the CFP Board’s Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 7 – Diligence, and Rules 3.3, 4.4, and 4.5.

Anticipated Impact of this Practice Standard

Upon the Public

The public is served when the relationship is based upon mutually defined goals, needs and priorities. This Practice Standard reinforces the practice of putting the client’s interests first which is intended to increase the likelihood of achieving the client’s goals and objectives.

Upon the Financial Planning Profession

Compliance with this Practice Standard emphasizes to the public that the client’s goals, needs and priorities are the focus of the financial planning process. This encourages the public to seek out the services of a financial planning practitioner who uses such an approach.

Upon the Financial Planning Practitioner

The client’s goals, needs and priorities help determine the direction of the financial planning process. This focuses the practitioner on the specific tasks that need to be accomplished. Ultimately, this will facilitate the development of appropriate recommendations.

200-2: Obtaining Quantitative Information and Documents

*The financial planning practitioner shall obtain sufficient quantitative information and documents about a client relevant to the scope of the engagement before any recommendation is made and/or implemented.*

Explanation of this Practice Standard

Prior to making recommendations to the client and depending on the scope of the engagement, the financial planning practitioner shall determine what quantitative information and documents are sufficient and relevant.

The practitioner shall obtain sufficient and relevant quantitative information and documents pertaining to the client's financial resources, obligations and personal situation. This information may be obtained directly from the client or other sources such as interview(s), questionnaire(s), client records and documents.

The practitioner shall communicate to the client a reliance on the completeness and accuracy of the information provided and that incomplete or inaccurate information will impact conclusions and recommendations.

If the practitioner is unable to obtain sufficient and relevant quantitative information and documents to form a basis for recommendations, the practitioner shall either:

A. restrict the scope of the engagement to those matters for which sufficient and relevant information is available; or

B. terminate the engagement.

The practitioner shall communicate to the client any limitations on the scope of the engagement, as well as the fact that this limitation could affect the conclusions and recommendations.

This Practice Standard shall not be considered alone, but in conjunction with all other Practice Standards.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this Practice Standard to the CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 7 – Diligence, and Rules 3.3, 4.4, and 4.5.

Anticipated Impact of this Practice Standard

Upon the Public

The public is served when financial planning recommendations are based upon sufficient and relevant quantitative information and documents. This Practice Standard is intended to increase the likelihood of achieving the client’s goals and objectives.

Upon the Financial Planning Profession

The financial planning process requires that recommendations be made based on sufficient and relevant quantitative data. Therefore, compliance with this Practice Standard encourages the public to seek financial planning practitioners who use the financial planning process.

Upon the Financial Planning Practitioner

Sufficient and relevant quantitative information and documents provide the foundation for analysis. Ultimately, this will facilitate the development of appropriate recommendations.

**!!!!!!! END SHADING HERE !!!!!!!!**

**!!!!!!! START SHADING HERE !!!!!!!!**

PRACTICE STANDARDS 300 SERIES:  
ANALYZING AND EVALUATING THE CLIENT’S FINANCIAL STATUS

300-1: Analyzing and Evaluating the Client's Information

*A financial planning practitioner shall analyze the information to gain an understanding of the client’s financial situation and then evaluate to what extent the client’s goals, needs and priorities can be met by the client’s resources and current course of action.*

Explanation of this Practice Standard

Prior to making recommendations to a client, it is necessary for the financial planning practitioner to assess the client’s financial situation and to determine the likelihood of reaching the stated objectives by continuing present activities.

The practitioner will utilize client-specified, mutually agreed upon, and/or other reasonable assumptions. Both personal and economic assumptions must be considered in this step of the process. These assumptions may include, but are not limited to, the following:

* Personal assumptions, such as: retirement age(s), life expectancy(ies), income needs, risk factors, time horizon and special needs; and
* Economic assumptions, such as: inflation rates, tax rates and investment returns.

Analysis and evaluation are critical to the financial planning process. These activities form the foundation for determining strengths and weaknesses of the client’s financial situation and current course of action. These activities may also identify other issues that should be addressed. As a result, it may be appropriate to amend the scope of the engagement and/or to obtain additional information.

Effective Date

Original version, January 1, 2000. Updated version, January 1, 2002.

Relationship of this Practice Standard to the CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to CFP Board’s Code of Ethics and Rules of Conduct through Principle 2 – Objectivity, Principle 3 – Competence, Principle 7 – Diligence, and Rules 1.4, 4.1, 4.4, and 4.5.

Anticipated Impact of this Practice Standard

Upon the Public

The public is served when objective analysis and evaluation by a financial planning practitioner results in the client’s heightened awareness of specific financial planning issues. This Practice Standard is intended to increase the likelihood of achieving the client’s goals and objectives.

Upon the Financial Planning Profession

Objective analysis and evaluation enhances the public’s recognition of and appreciation for the financial planning process and increases the confidence in financial planning practitioners who provide this service.

Upon the Financial Planning Practitioner

Analysis and evaluation helps the practitioner establish the foundation from which recommendations can be made that are specific to the client’s financial planning goals, needs and priorities.

**!!!!!!! END SHADING HERE !!!!!!!!**

**!!!!!!! START SHADING HERE !!!!!!!!**

PRACTICE STANDARDS 400 SERIES:  
DEVELOPING AND PRESENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

Preface to the 400 Series

The 400 Series, “Developing and Presenting the Financial Planning Recommendation(s),” represents the very heart of the financial planning process. It is at this point that the financial planning practitioner, using both science and art, formulates the recommendations designed to achieve the client’s goals, needs and priorities. Experienced financial planning practitioners may view this process as one action or task. However, in reality, it is a series of distinct but interrelated tasks.

These three Practice Standards emphasize the distinction among the several tasks which are part of this process. These Practice Standards can be described as, “What is Possible?”, “What is Recommended?” and “How is it Presented?” The first two Practice Standards involve the creative thought, the analysis, and the professional judgment of the practitioner, which are often performed outside the presence of the client. First, the practitioner identifies and considers the various alternatives, including continuing the present course of action (Practice Standard 400-1). Second, the practitioner develops the recommendation(s) from among the selected alternatives (Practice Standard 400-2). Once the practitioner has determined what to recommend, the final task is to communicate the recommendation(s) to the client (Practice Standard 400-3).

The three Practice Standards that comprise the 400 series should not be considered alone, but in conjunction with all other Practice Standards.

400-1: Identifying and Evaluating Financial Planning Alternative(s)

*The financial planning practitioner shall consider sufficient and relevant alternatives to the client’s current course of action in an effort to reasonably meet the client’s goals, needs and priorities.*

Explanation of this Practice Standard

After analyzing the client’s current situation (Practice Standard 300-1) and prior to developing and presenting the recommendation(s) (Practice Standards 400-2 and 400-3) the financial planning practitioner shall identify alternative actions. The practitioner shall evaluate the effectiveness of such actions in reasonably meeting the client’s goals, needs and priorities.

This evaluation may involve, but is not limited to, considering multiple assumptions, conducting research or consulting with other professionals. This process may result in a single alternative, multiple alternatives or no alternative to the client’s current course of action.

In considering alternative actions, the practitioner shall recognize and, as appropriate, take into account his or her legal and/or regulatory limitations and level of competency in properly addressing each of the client’s financial planning issues.

More than one alternative may reasonably meet the client’s goals, needs and priorities. Alternatives identified by the practitioner may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this Practice Standard to the CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 2 – Objectivity, Principle 3 – Competence, Principle 6 – Professionalism, Principle 7 – Diligence, and Rules 1.4, 4.1, and 4.5.

400-2: Developing the Financial Planning Recommendation(s)

*The financial planning practitioner shall develop the recommendation(s) based on the selected alternative(s) and the current course of action in an effort to reasonably meet the client’s goals, needs and priorities.*

Explanation of this Practice Standard

After identifying and evaluating the alternative(s) and the client’s current course of action, the practitioner shall develop the recommendation(s) expected to reasonably meet the client’s goals, needs and priorities. A recommendation may be an independent action or a combination of actions which may need to be implemented collectively.

The recommendation(s) shall be consistent with and will be directly affected by the following:

* Mutually defined scope of the engagement
* Mutually defined client goals, needs and priorities
* Quantitative data provided by the client
* Personal and economic assumptions
* Practitioner’s analysis and evaluation of client’s current situation
* Alternative(s) selected by the practitioner

A recommendation may be to continue the current course of action. If a change is recommended, it may be specific and/or detailed or provide a general direction. In some instances, it may be necessary for the practitioner to recommend that the client modify a goal.

The recommendations developed by the practitioner may differ from those of other practitioners or advisers, yet each may reasonably meet the client’s goals, needs and priorities.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this Practice Standard to the CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 2 – Objectivity, Principle 3 – Competence, Principle 6 – Professionalism, Principle 7 – Diligence, and Rules 2.1, 4.1,4.4, and 4.5.

400-3: Presenting the Financial Planning Recommendation(s)

*The financial planning practitioner shall communicate the recommendation(s) in a manner and to an extent reasonably necessary to assist the client in making an informed decision.*

Explanation of this Practice Standard

When presenting a recommendation, the practitioner shall make a reasonable effort to assist the client in understanding the client’s current situation, the recommendation itself, and its impact on the ability to meet the client’s goals, needs and priorities. In doing so, the practitioner shall avoid presenting the practitioner’s opinion as fact.

The practitioner shall communicate the factors critical to the client’s understanding of the recommendations. These factors may include but are not limited to material:

* Personal and economic assumptions
* Interdependence of recommendations
* Advantages and disadvantages
* Risks
* Time sensitivity

The practitioner should indicate that even though the recommendations may meet the client’s goals, needs and priorities, changes in personal and economic conditions could alter the intended outcome. Changes may include, but are not limited to: legislative, family status, career, investment performance and/or health.

If there are conflicts of interest that have not been previously disclosed, such conflicts and how they may impact the recommendations should be addressed at this time.

Presenting recommendations provides the practitioner an opportunity to further assess whether the recommendations meet client expectations, whether the client is willing to act on the recommendations, and whether modifications are necessary.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this Practice Standard   
to the CFP Board’s Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 1 – Integrity, Principle 2 – Objectivity, Principle 6 – Professionalism, and Rules 2.1, 4.1, 4.4, and 4.5.

Anticipated Impact of these Practice Standards

Upon the Public

The public is served when strategies and objective recommendations are developed and are communicated clearly to specifically meet each client’s individual financial planning goals, needs and priorities.

Upon the Financial Planning Profession

A commitment to a systematic process for the development and presentation of the financial planning recommendations advances the financial planning profession. Development of customized strategies and recommendations enhances the public’s perception of the objectivity and value of the financial planning process. The public will seek out those professionals who embrace these Practice Standards.

Upon the Financial Planning Practitioner

Customizing strategies and recommendations forms a foundation to communicate meaningful and responsive solutions. This increases the likelihood that a client will accept the recommendations and act upon them. These actions will contribute to client satisfaction.

**!!!!!!! END SHADING HERE !!!!!!!!**

**!!!!!!! START SHADING HERE !!!!!!!!**

PRACTICE STANDARDS 500 SERIES:  
IMPLEMENTING THE FINANCIAL PLANNING RECOMMENDATION(S)

500-1: Agreeing on Implementation Responsibilities

*The financial planning practitioner and the client shall mutually agree on the implementation responsibilities consistent with the scope of the engagement.*

Explanation of this Practice Standard

The client is responsible for accepting or rejecting recommendations and for retaining and/or delegating implementation responsibilities. The financial planning practitioner and the client shall mutually agree on the services, if any, to be provided by the practitioner. The scope of the engagement, as originally defined, may need to be modified.

The practitioner’s responsibilities may include, but are not limited to the following:

* Identifying activities necessary for implementation
* Determining division of activities between the practitioner and the client
* Referring to other professionals
* Coordinating with other professionals
* Sharing of information as authorized
* Selecting and securing products and/or services

If there are conflicts of interest, sources of compensation or material relationships with other professionals or advisers that have not been previously disclosed, such conflicts, sources or relationships shall be disclosed at this time.

When referring the client to other professionals or advisers, the financial planning practitioner shall indicate the basis on which the practitioner believes the other professional or adviser may be qualified.

If the practitioner is engaged by the client to provide only implementation activities, the scope of the engagement shall be mutually defined, orally or in writing, in accordance with Practice Standard 100-1. This scope may include such matters as the extent to which the practitioner will rely on information, analysis or recommendations provided by others.

Effective Date

January 1, 2002.

Relationship of this Practice Standard to CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 3 – Competence, Principle 4 – Fairness, Principle 6 – Professionalism, Principle 7 – Diligence, and Rules 1.2, 2.2, 4.1, and 4.4.

500-2: Selecting Products and Services for Implementation

*The financial planning practitioner shall select appropriate products and services that are consistent with the client’s goals, needs and priorities.*

Explanation of this Practice Standard

The financial planning practitioner shall investigate products or services that reasonably address the client’s needs. The products or services selected to implement the recommendation(s) must be suitable to the client’s financial situation and consistent with the client’s goals, needs and priorities.

The financial planning practitioner uses professional judgment in selecting the products and services that are in the client’s interest. Professional judgment incorporates both qualitative and quantitative information.

Products and services selected by the practitioner may differ from those of other practitioners or advisers. More than one product or service may exist that can reasonably meet the client’s goals, needs and priorities.

The practitioner shall make all disclosures required by applicable regulations.

Effective Date

January 1, 2002.

Relationship of this Practice Standard to CFP Board’s   
Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 2 – Objectivity, Principle 4 – Fairness, Principle 6 – Professionalism, Principle 7 – Diligence, and Rules 1.2 1.4, 2.2, 4.1, 4.4, and 4.5.

Anticipated Impact of these Practice Standards

Upon the Public

The public is served when the appropriate products and services are used to implement recommendations; thus increasing the likelihood that the client’s goals will be achieved.

Upon the Financial Planning Profession

Over time, implementing recommendations using appropriate products and services for the client increases the credibility of the profession in the eyes of the public.

Upon the Financial Planning Practitioner

It is for the long-term benefit of the practitioner to put the interest of the client before that of others in the selection of products and services.

**!!!!!!! END SHADING HERE !!!!!!!!**

**!!!!!!! START SHADING HERE !!!!!!!!**

PRACTICE STANDARDS 600 SERIES:  
MONITORING

600-1: Defining Monitoring Responsibilities

*The financial planning practitioner and client shall mutually define monitoring responsibilities.*

Explanation of this Practice Standard

The purpose of this Practice Standard is to clarify the role, if any, of the practitioner in the monitoring process. By clarifying this responsibility, the client’s expectations are more likely to be in alignment with the level of monitoring services which the practitioner intends to provide.

If engaged for monitoring services, the practitioner shall make a reasonable effort to define and communicate to the client those monitoring activities the practitioner is able and willing to provide. By explaining what is to be monitored, the frequency of monitoring and the communication method, the client is more likely to understand the monitoring service to be provided by the practitioner.

The monitoring process may reveal the need to reinitiate steps of the financial planning process. The current scope of the engagement may need to be modified.

Effective Date

January 1, 2002.

Relationship of this Practice Standard to CFP Board’s Code of Ethics and Rules of Conduct

This Practice Standard relates to the CFP Board’s Code of Ethics and Rules of Conduct through Principle 7 – Diligence, and Rules 1.2, 3.3, 3.4 and 4.1.

Anticipated Impact of this Practice Standard

Upon the Public

The public is served when the practitioner and client have similar perceptions and a mutual understanding about the responsibilities for monitoring the recommendation(s).

Upon the Financial Planning Profession

The profession benefits when clients are satisfied. Clients are more likely to be satisfied when expectations of the monitoring process are both realistic and clear. This Practice Standard promotes awareness that financial planning is a dynamic process rather than a single action.

Upon the Financial Planning Practitioner

A mutually defined agreement of the monitoring responsibilities increases the potential for client satisfaction and clarifies the practitioner’s responsibilities.

**!!!!!!! END SHADING HERE !!!!!!!!**