

- 1  **Leading the Profession:**  
A New Code of Ethics for CFP® Professionals
- 2  **Welcome**
  - CFP Board approved
    - 2 ethics CEU filed electronically
  - Must attend entire session
  - Interactive Case Studies
  - Questions OK
- 3  **Program Outline**
  - Disclaimers
  - About CFP Board
  - About certificants
  - The Fifth "E"
  - Discipline & Ethics Commission
  - DEC numbers
  - What changed
- 4  **Program Outline (continued)**
  - Applying the Code
    - CS 1: Establishing a client relationship
    - CS 2: Disclosing compensation
    - CS 3: Evaluating alternative solutions
    - CS 4: Acting as a Fiduciary
    - CS 5: Documentation
  - Conclusion
- 5  **Disclaimers**
  - Views & opinions are those of the presenter not CFP Board
  - Case Studies are fictitious and do not represent actual individuals or circumstances
  - Complete copies of the CFP Board's Standards of Professional Conduct are available for download
    - [www.cfp.net](http://www.cfp.net)
- 6  **About CFP Board**
  - Professional regulatory organization
    - Founded in 1985
    - 501C(3) status
    - Controls exclusive rights to use of marks in US
  - Joined *Financial Planning Standards Board* in 2007 to align standards for CFP certification globally.

- 7  Certificant Statistics as of 9/30/ 2007
- 72% practitioners
  - US = 56,242
  - 77% are male
  - 75% > 40
  - 46% > 50
  - 57% BA
  - 29% MA
  - Less than 2.2% without degree
- 8  The Four E's
- Experience
  - Education
  - Examination
  - Ethics
- 9  Enforcement 2006
- 10  The Discipline and Ethics Commission
- Structure
    - 9 CFP® professional volunteers
    - 5 Staff (attorneys and compliance analysts)
    - Administer process on behalf of Board of Directors
    - Self-disclosure required at initial certification and renewal
    - Monitors numerous sources and conducts independent research
- 11  The Discipline and Ethics Commission
- Process
    - Notice of Investigation
    - Complaint
    - Hearing
    - Appeal
  - Hearings held in March, July & November
    - 3 days
    - 3-4 volunteers included
    - Washington DC
- 12  Measuring the Disciplinary Process
- What is the organizational commitment?
  - What are the consequences of serious ethical violations?
  - How transparent is the process?
  - Is the process administered fairly?
  - Is the process subject to regular review and revision?
- 13  What's Moved
- 1 OLD

- Rules organized around seven aspirational principles  
100 series *Integrity*,  
200 series *Objectivity*  
300 series *Competence*  
Etc.

2 NEW

- Rules organized around six functional areas

- 1 *Defining the Relationship*
- 2 *Information Disclosed to Clients*
- 3 *Client Information & Property*

14  What's New

- Simplified language and structure
- Principles aligned as positive, aspirational statements
- Rules of Conduct cover 6 areas
  - Defining relationships
  - Disclosing information
  - Safeguarding Information and Property
  - Obligations to clients
  - Obligations to employers
  - Obligations to CFP Board

15  What's New

- Rules of Conduct binding for all CFP® certificants
  - Rules 1.2, 1.3, 1.4 and 2.2 apply when CFP® certificants provide services that are:
    - Financial planning, or
    - Material elements of the financial planning process

16  What's New – Revised Duty of Care

- Rule 1.4
  - A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of the financial planning process, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board.

17  What's New - Definition of fiduciary

- One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client
- CFP Board expects CFP® professionals:
  - To recommend what they reasonably believe to be the best possible options *available to their clients within the business and regulatory setting in which they practice*
  - To disclose the limitations placed on the CFP® certificant by those business or regulatory requirements

18  What's New – Definition of planning

- **“Personal financial planning” or “financial planning”**  
the process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with the financial planning subject areas.

19  What's New – Material Elements

- whether a CFP® certificant is providing financial planning or material elements of the financial planning process, issues that may be considered include, but are not limited to:
  - client's understanding and intent in engaging the certificant
  - degree to which multiple financial planning subject areas are involved
  - comprehensiveness of data gathering
  - breadth and depth of recommendations

20  What's New – Written Disclosure

- Financial Planning
  - Rule 1.2
    - scope of engagement to clients and prospective clients
  - Rule 1.3
    - written agreement
  - Rule 2.2
    - compensation and conflicts

21  What's New – Written Disclosure

- Compensation
  - the compensation that any party ... to the agreement will or could receive ... and factors or terms that determine costs, how decisions benefit the certificant and the relative benefit to the certificant.
  - Specific dollar amount - not required. Factors of calculating cost - required

22  What's New – Compensation disclosure

- 1  ○ Rule 404
  - Annual offer of compensation disclosure
- 2  ○ Rule 2.2
  - timely disclose any material changes to the above information.

23  What's New – Written Disclosure

- if the agreement permits the certificant to offer proprietary products.
- if the certificant will use other entities to meet any of the agreement's obligations.

24  What's Removed

- Terms
  - CFP® designee
  - Financial planning professional or personal financial planning professional
- Rule 603
  - A CFP Board designee who has knowledge ... that another CFP Board designee has committed a violation of this *Code of Ethics* ... shall promptly inform CFP Board
- Rule 608
  - RIA disclosures

25  Applying the New Code

- Each case study provides an opportunity to apply the *Rules of Conduct* to a hypothetical set of facts
- Copies of the Rules of Conduct are included in your handout.
- Work in small groups to complete the *Decision Sheet* for each case.

26  Case Study 1:

Establishing a client relationship

- Elvis & Priscilla
  - You provided a range of comprehensive services to the couple for several years.
  - You learn from Priscilla that Elvis has "left the building" and is filing for divorce.
  - Priscilla wants you to advise her on the "best way" to come out on top financially in the split.

- 27  Case Study 2:  
Disclosing compensation
- Homer has been on your bowling team for 5 years.
  - Homer wants to buy a long term care policy for himself and Marge.
  - He did his homework and knows exactly what he wants.
  - Homer knows that you sell policies from his top-choice company.
- 28  Case Study 3:  
Evaluating alternative solutions
- Max will retire from the gas company next month and asks for your help determining what to do.
  - He can take a pension annuity payout or a cash rollover.
  - He also has a 401(k) plan balance to rollover.
  - Max is 56 and already has another job lined up.
- 29  Case Study 4:  
Acting as a Fiduciary
- Brad & Angelina are new parents and ask you to prepare a financial plan for their family.
  - They are concerned about education planning, protection planning and estate planning.
  - They have a tax adviser already.
- 30  Case Study 5:  
Documentation
- Curt and Rhonda ask you to meet with them to discuss your services.
  - They want to understand what you do and how you charge for your services.
  - They want to be able to choose from a full range of investments.
- 31  Conclusion
- Effective July 1, 2008
  - Resources on website  
<http://www.cfp.net/certificants/conduct.asp>
  - Make client's needs foremost
  - Disclosure alone is not enough
  - Client understanding is critical
  - Documentation is your best approach
  - Good ethics is good business