

Key Changes in CFP Board's Revised *Standards of Professional Conduct*:

- **Baseline Duty of Care:** For all CFP[®] certificants, duty of care requirement raised from the current "reasonable and prudent professional judgment" standard to a requirement that a CFP[®] professional "shall at all times place the interest of the client ahead of his or her own." [Rule 1.4]
- **Fiduciary Duty of Care for Financial Planning Services:** For CFP[®] certificants providing financial planning services, the duty of care has been raised from the current duty to "act in the interest of the client" to the "duty of care of a fiduciary," [Rule 1.4] defined as "One who acts with utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client."
- **Written Agreement Governing Financial Planning Services:** CFP[®] certificants or their employers/principals must enter into a written agreement governing any financial planning services to be provided. [Rule 1.2] The agreement must include:
 - 1) parties to the agreement,
 - 2) date and duration of agreement,
 - 3) terms for terminating the agreement and
 - 4) services to be provided as part of the agreement.
- **Strengthened Disclosure Requirements:** Disclosures to clients and prospective clients, and requirements for documentation of the relationship with a client have also been strengthened. The updated *Standards* also clarifies that the disclosure requirements for CFP[®] certificants apply to clients as well prospective as clients. [Rules 1.2 and 2.2]

Definition of 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. In determining whether the certificant is providing financial planning or material elements of the financial planning process, issues that may be considered include but are not limited to:

- The client's understanding and intent in engaging the certificant.
- The degree to which multiple financial planning subject areas are involved.
- The comprehensiveness of data gathering.
- The breadth and depth of recommendations.

Financial planning may occur even if the elements are not provided to a client simultaneously, are delivered over a period of time, or are delivered as distinct subject areas. It is not necessary to provide a written financial plan to engage in financial planning.

Definition of Financial Planning Process:

The process which typically includes, but is not limited to, some or all of these six elements:

- 1) Establishing and defining the client-planner relationship,
- 2) Gathering client data including goals,
- 3) Analyzing and evaluating the client's current financial status,
- 4) Developing and presenting recommendations and/or alternatives,
- 5) Implementing the recommendations, and
- 6) Monitoring the recommendations.