

Personal Financial Planning

1.1 Introduction

Personal financial planning is the process of gathering and analyzing financial data to develop a set of strategies that form an integrated plan to help people achieve their financial goals. The focus of the process is in defining the individual's goals, and then putting together a plan that includes all aspects of one's financial life in an integrated way. While the plan may consist of strategies addressing specific areas of personal finance, like the budget, investments, taxes, insurance, retirement or estate matters, each strategy is carefully evaluated for its side effects to all other areas of the person's finances.

For example, recommending to a client to purchase disability insurance will consume cash flows which otherwise would have been invested in a tax favored retirement account. As a result, not only will she be saving less for her retirement, but she will also be facing higher income taxes, which could further reduce her savings.

It is precisely this spillover effect of financial decisions to other areas of personal finance that complicates matters, and prompts people to seek the advice of a financial planner.

1.1.1 The Financial Planning Profession

Personal financial planning as a distinct profession is relatively new. Until the late 1960s a financial planner was someone who sold insurance, annuities, securities or tax shelters. Consequently, stock brokers, insurance agents, accountants and even lawyers could all claim to be financial advisors. Their limited area of expertise, however, did not allow for an integrated approach to financial planning. Thus there was no single source to coordinate and address all aspects of an individual's financial needs. Moreover, there were no industry standards for education, professionalism or ethics.

In the early 1970s, the Society for Financial Counseling Ethics was established in Colorado to recognize professionalism and provide education beyond what life insurance and mutual fund companies provided to their employees and agents. The College for Financial Planning was established in Denver to offer self-study courses on client needs and objectives, fee-based financial advice and a planning process. Sections of the original curriculum covered fundamentals, money management, financial media, investment models, effective planning considerations and counseling/consumer behavior. At the completion of the courses, students who successfully passed an examination earned the title "Certified Financial Planner™." The title was first awarded in 1973.

Both the National Association of Securities Dealers (NASD) and the Securities and Exchange Commission (SEC) cautioned that the planner designation implied a degree of expertise that many broker-dealers did not possess, and for them the title "representative" was preferable. The NASD and SEC agreed that the CFP® designation could only be used by someone certified by the College for Financial Planning.

Meanwhile, the terrible stock market of the early 1970s, and the adoption of individual retirement accounts in 1974 and 401(k) accounts in 1981, changed the way people were investing

and planning for their retirement. More people realized they need professional help with their financial affairs.

By 1985 the College for Financial Planning had thousands of students, and various universities began to offer CFP courses for academic credit. In the early 1990s, the Certified Financial Planner™ Board of Standards was established in Denver. Subsequently, the organization moved its headquarters to Washington, D.C., its current location, in order to have a closer relationship with federal financial industry regulators.

Today the CFP Board of Standards has over 300 registered programs at colleges and universities across the country, and there are over 65,000 CFP® certificants, who practice according to the CFP Code of Ethics and Professional Responsibility, Rules of Conduct, and Financial Planning Practice Standards.

Compensation

With the advent of the term Certified Financial Planner™, emphasis was placed on the planning process in addition to the sale of financial products. The process is a comprehensive engagement between a planner and a client which may or may not include the sale of financial products by the planner. If no products are sold, the planner is designated as a “fee only” planner, and compensation is based on the scope and complexity of the plan. However, some planners may receive their compensation from commissions on products sold and from plan development. Full disclosure of a planner’s compensation is covered in the initial step of a planning engagement. The following table shows the 2011 Financial Planning Association fees-survey results.

Fee Charged per Type of Compensation	Mean	Median
Typical hourly rate	\$192.70	\$180
Typical annual retainer fee amount	\$4,998.85	\$2,500
Typical fee for a comprehensive plan	\$2,876.32	\$2,000
Typical fee for a subject specific plan	\$990.51	\$750

2011, FPA Research Center, Financial Planning Association

The Fiduciary Standard

All individuals who have earned the Certified Financial Planner™ designation are committed to place the interests of their clients first, which is referred to as the fiduciary standard. This means that in choosing between two financial products, one of which better meets the client’s needs, but offers lower compensation to the planner, and another financial product which is suitable (but not the best available), but which offers higher compensation to the planner, the choice is the better product. In the long run, placing the client’s interest first will solidify the client-planner relationship, and any loss of current income will be more than made up by future sales opportunities and referrals of others by a satisfied client. The CFP Board Code of Ethics and the fiduciary standard are established for the ultimate protection of clients. It is therefore to the best interest of clients to seek financial advisors who are committed to this standard.

1.2 The Financial Planning Process

The process of financial planning consists of six distinct steps, which are described below. Financial planning touches all financial aspects of an individual’s life including budgeting, insurance,

investments, retirement, borrowing money, income tax planning and estate planning. Frequently individuals begin the planning process with a focus on saving for retirement, but in most instances, the other topics are so closely interrelated that they are drawn into a comprehensive plan. Let's look at each of the six steps in more detail.

Step One: The Initial Meeting—Establishing the Advisor-Client Relationship

The CFP Board of Standards has established a Code of Ethics and Professional Responsibility, which details required disclosures by the planner in this meeting. The planning process begins when a planner and the potential client meet to discuss the client's needs and financial goals. A major goal of this meeting is for the parties to establish a bond of trust. The planner should listen carefully to the potential client's comments and begin to establish the framework of the relationship. The planner should provide the client with an explanation of all the steps in the planning process, including the needed documents from the client, how the planner will use the information, the range of services provided and the estimated time for completing the plan.

In addition, during the initial meeting the planner must discuss his or her background and educational qualifications, as well as the method of compensation for the services provided. If the planner anticipates the need to bring in specialists, the projected costs should also be disclosed. At the conclusion of this first step, the planner (or advisor) will prepare a letter agreement outlining the expectations of both parties to the relationship, and submit it for the client's approval along with a compensation disclosure document like the SEC Form ADV Part 2.

Step Two: Setting Goals and Gathering Data

This step may actually begin at the conclusion of step one, assuming that the advisor-client relationship is clearly defined. Few people bring specific financial goals to the table at the beginning of this step. It is the duty of the advisor to ask the client about existing goals and to inquire as to other related topics. For example, a client may have a general goal of having enough assets to retire early. The goal to retire early is vague, and the advisor should ask questions to sharpen the goal to retiring at a specific age and with a specific post-retirement standard of living comparable to pre-retirement. The vague goal should evolve into narrow objectives involving appropriate investments, education funding, income tax planning, individual and company-provided retirement plans, life, disability and long-term care insurance.

Once the client's goals have been defined, the advisor will ask for comprehensive and specific financial information using a multipage fact finder form. See the Appendix at the end of this chapter for an abbreviated fact finder form. The information requested should have a direct relationship to the goals to be included in the plan. Some of this information will be highly confidential, and this is where the trust established in the first step becomes important. The client will be asked to provide at minimum the following:

- Family relationships (children, spouse, parents, special needs children and adults)
- Bank and brokerage account statements
- Evidences of ownership such as deeds and vehicle titles
- Recent statements from creditors
- Insurance policies (life, disability, property and long-term care)
- Estate planning documents such as wills, powers of attorney, powers of appointment, health care powers of attorney, living wills and DNR orders

- Separation and divorce documents
- Employee benefits statements

This is no small task to accomplish as some potential clients may be either reluctant to submit all necessary documents (perhaps concerned about privacy issues), or may not be well organized to have these documents readily available. In the case where a client does not provide the planner with a number of the necessary documents, the planner has two choices. If the planner feels the missing documents are an indication of a lack of trust from the client side, the planner can release the client from their agreement and refer him/her to another financial planner. If the planner feels the missing documentation is due to the client's poor organizational skills, the planner can proceed with the analysis of the incomplete set of information, but inform the client of potential revisions and amendments to the plan once the missing documentation is submitted.

Another responsibility of the advisor in step two is to determine the client's risk tolerance. This can be accomplished by asking the client to complete a survey, which the advisor will use to detect the client's true risk preferences. This way the planner can recommend appropriate financial products, while avoiding those which will expose the client to an uncomfortable level of risk. Risk is discussed in the next section, and more thoroughly in Chapter 7.

Step Three: Analyzing and Evaluating the Data Collected

Logically, in the next step the advisor uses the information gathered to develop a complete picture of the client's current financial situation. This includes assets and liabilities, income and cash flow, gaps in insurance coverage, participation in employer-provided retirement plans and the adequacy of estate planning. Strengths and weaknesses observed from the data are to be evaluated in preparation for the advisor's recommendations on how to achieve the goals agreed upon in step two. For example, the net worth statement analysis could reveal lack of liquidity, excessive concentration of assets in one asset category or improperly structured debt. The income statement analysis may reveal unstable sources of income and disproportioned increases over time in some expense categories. Debt payments can be evaluated and possible alternatives to structure the debt may be identified.

It is entirely possible that the advisor will come to the conclusion that the client's current goals cannot be achieved therefore both goals and objectives may have to be changed. For example, if the achievement of an early retirement goal is unrealistic, the advisor may have to counsel the client for a delayed retirement, major changes in savings and investment strategies, or a downgrade of the expected standard of living at retirement.

Step Four: Developing and Presenting the Plan

In this step the advisor will use all of the information gathered and the analysis performed to develop a realistic plan of action for the client. Even with the educational requirements to become and remain a CFP®, few advisors will have the expertise needed to cover all aspects of a plan. It may be necessary to involve attorneys, accountants, insurance agents and other specialists, as was mentioned in step one.

Presenting the plan to the client is a critical step in the process. The advisor should explain all aspects of the plan and how each goal and objective will be handled. Importantly, the client must adopt the plan and agree to implement it!

If the advisor offers financial products which meet the fiduciary standard of care and help the client achieve agreed-upon objectives, the advisor will propose that the client purchase these products. A fee only advisor will just recommend trusted sources for acquisition of the necessary products by the client.

Step Five: Implementing the Plan

A plan is useless unless it is acted upon. The advisor's responsibility is to develop action steps, a timeline for completion and specific responsibilities. For example, a recommendation might be for the client to change the way an asset is owned to make transfer of the asset at the client's death easier. Another recommendation could be for the client to transfer ownership of a life insurance policy to a trust or to another person. Restructuring debt for lower payments and better income tax treatment of interest could mean that the client should refinance a home loan. A client without a current valid will and other estate planning documents would be directed to prepare and execute these documents in consultation with an estate planning attorney. Identified gaps in insurance coverage would be closed with modified or new policies. Once the duties have been completed, the advisor would make a final check to be sure everything is in order. The initial phase of the planning process will then be complete.

Step Six: Periodic Review of the Plan

If the recommended actions have been implemented, the client should begin to make progress toward the goals in the plan. If the relationship with the advisor is on-going, the advisor will revisit the plan from time to time to determine its effectiveness. If the plan is working satisfactorily and both advisor and client agree on this, no changes will be necessary. Otherwise, goals and strategies will need to be revised.

Major life events such as marriage, divorce, births and deaths of family members, serious illness, job loss or retirement call for a serious review of the plan. Unforeseen circumstances can mean major goal changes and revisions, and the process will begin again at step one. Obviously, the time and effort required for revisions will be much less than in the initial process.

1.2.1 Client and Planner Attitudes, Values and Behaviors

Client Risk Tolerance

Are you a risk taker or a risk avoider? Your answer will influence which strategies an advisor will choose to achieve your financial objectives. Initially, you might think risk in personal financial planning mainly applies to the likelihood of having a loss of principal in an investment. Your choice to take or avoid risk covers investments, but it also involves ownership of property, potential liability if you cause injury to another person or its property, exposure to health care costs, loss of income due to disability or premature death and the effects of inflation, interest rates and economic conditions.

Your choices regarding risk are influenced by your estimate of potential gain or loss and the likelihood and magnitude of both. Your estimate of your tolerance for risk may be rational and supported by quantitative evidence. On the other hand, you may think that certain risks only apply to others and not to you. This behavior simply indicates denial. You may be fearful of risks because of circumstances in your life where you have taken losses or observed others taking losses. Or you may be a "thrill seeker," willing to accept risks in nearly all aspects of your life. Day trading in the stock market is an example of thrill seeking behavior, in which gains and losses accompany a high level of both risk and volatility.

Major factors which influence your risk tolerance are age, gender, marital status, occupation (particularly your method of compensation, i.e. salary or commission), wealth, education and your birth order among siblings. Typically, older persons, females, married individuals, less educated individuals, salaried earners and firstborn children tend to exhibit lower risk tolerances. Wealth is not a very reliable predictor of risk tolerance, because risk exposure is meaningful when measured not in absolute dollars at risk, but as a percentage of assets at risk to total assets owned by a person. In other words, you and Tiger Woods are betting \$1,000 each on the outcome of a football game. You cannot afford to lose this amount, while it is a rounding error to Tiger's fortune. Who is the bigger risk taker between the two of you?

Obviously, your tolerance for risk depends on many factors. One of the most important and difficult tasks facing a financial advisor is to assess a client's appetite for risk. An accurate estimate of client risk tolerance will influence the advisor's recommendations in all aspects of a comprehensive financial plan. Recall that in step four of the financial planning process the advisor must present a realistic, custom-designed plan to the client that reflects the client's true risk tolerance.

The risk assessment process consists of more than just one measurement. The advisor should carefully observe the client in unstructured conversations, noticing both verbal and nonverbal behaviors. Verbal characteristics such as talking too much or too little can indicate client fear and uncertainty. Straightforward comments can indicate confidence and risk awareness. Nonverbal behaviors include tone of voice and body language, both of which should be incorporated into the verbal aspect of risk assessment. The advisor should look for inconsistencies between verbal and nonverbal behaviors. This part of the assessment process is qualitative, not based on numerical scoring.

A second aspect of client risk assessment is quantitative which involves questionnaires (see Chapter 7). A client may be asked to rank the importance of investment goals such as safety of principal, liquidity, current income, growth or income tax efficiency. Another question may ask for a client's reaction to a risk such as making a high risk but potentially rewarding investment. The range of responses could run from "no anxiety" to "unable to sleep at night." A properly constructed and scored questionnaire will help the advisor in putting together a plan that the client understands and accepts.

Effective Advisor-Client Communication

An effective advisor must have good listening skills, which involve paying close attention to what the client says and does, making sure that all communication is clearly understood. The advisor must use appropriate questioning techniques. An advisor's question which can be answered "yes" or "no" will not bring forth much information. An open ended question, however, will invite the client to open up and share a wide range of attitudes and information. Look for example at the following questions:

Do you plan to retire at age 65? (Yes or No type of question)

How do you plan to spend your time when you retire? (Open ended type of question)

An advisor may encounter resistance from clients on some particularly sensitive topics, such as illness and dying, marital stress and relationship problems with children. When this happens, it is important for the advisor to be nonjudgmental, concerned and able to explain the importance of addressing these topics in the financial plan. The bond of trust between a client and advisor must be established early in the planning process and maintained throughout the entire period of the relationship. A financial advisor must have good interviewing, counseling and advising skills to enable a potential client to develop and maintain this high level of confidence.

“Interviewing” is an information gathering process involving asking and answering specific questions. This is the basic technique used in steps one and two of the planning process. The fact finder form in step two may be completed only by the client, but most often it is completed when the advisor and the client are meeting face-to-face and the advisor asks the client a series of questions.

“Counseling” is the process of addressing the client’s concerns and questions in a way that builds the bond of trust. Constructive feedback by the advisor will help the client understand his or her current situation, and how realistic his or her stated goals are. One of the great benefits for a client working with a financial planner is that the client receives an objective expert third party opinion about his or her financial situation and future prospects.

“Advising” is the other kind of communication between an advisor and client. This involves specific recommendations and strategies the advisor offers to the client. For example, an advisor may advocate and explain the need for the client to purchase additional insurance or to shift an investment choice to a better alternative in order to achieve the objectives of the plan.

1.3 The CFP Board of Standards Code of Ethics and Professional Responsibility

Earning the right to claim the designation Certified Financial Planner™ requires the certificant to (1) possess a bachelor’s degree from an accredited institution, (2) complete the necessary courses in personal financial planning from a program registered with the CFP Board, (3) complete three years of practical experience in the personal financial planning field, and (4) agree to abide by the Code of Ethics and Professional Responsibility adopted by the CFP Board.

There are seven principles which are the foundations for a certificant’s relationship with the public, clients, colleagues and employers:

1. **Integrity:** Certificants are placed in a position of trust by clients, and they must be honest and candid. The interests of the client must always come first. This is the fiduciary standard.
2. **Objectivity:** The certificant must be honest and impartial in all dealings. Decisions must not be subordinated to the opinions of others.
3. **Competence:** This means reaching and maintaining sufficient levels of knowledge and skills to provide financial services to clients. It also requires the certificant to have the wisdom to consult other professionals when necessary. Continuing education and professional development are requirements for on-going certification.
4. **Fairness:** This requires impartiality, intellectual honesty and disclosure of all sources of compensation, as well as all material conflicts of interest.
5. **Confidentiality:** Client information is provided for a specific purpose, and it should be available only on a need to know basis, or to comply with a legal process.
6. **Professionalism:** A certificant is required to be courteous and respectful in all dealings with clients, other professionals and the business community. The certificant is also responsible for using the CFP® and Certified Financial Planner™ appropriately.
7. **Diligence:** Services are to be well prepared and delivered promptly. Investment recommendations need to be adequately investigated. All subordinates are to be properly supervised. Actions should exceed the client’s expectations.

1.3.1 The CFP Board of Standards Rules of Conduct

These rules govern all individuals who have been granted the right to use the CFP marks, without regard to whether or not the marks are actually used. Violation of the rules may subject a certificant or registrant to discipline. There are six broadly worded rules:

1. Defining the Relationship with the Prospective Client or Client

The parties should reach a written agreement on responsibilities of each in the six steps of the financial planning process. Compensation to be paid to any party to the agreement should be specified, along with the terms of engaging other parties (e.g., accountants or attorneys). If the certificant intends to offer any proprietary products, the client must be notified.

2. Information Disclosed to Prospective Clients and Clients

The certificant must disclose an accurate and understandable summary of costs to the client including any compensation to the certificant's employer. Any likely conflicts of interest between the client and certificant and the certificant's employer must be disclosed. If the services include financial planning or the financial planning process, this must also be disclosed.

3. Prospective Client and Client Information and Property

Information provided to the certificant must be confidential except as required by a proper legal process. The certificant must take prudent steps to secure information and property. If necessary client information is not available or not provided, the certificant must notify the prospective client or client. Any assets over which the certificant takes custody, exercises investment discretion or supervises must be identified, and complete records of these assets must be maintained. Certificants should not borrow from or lend money to a client. The client's property should not be commingled with the certificant's property, the certificant's employer's property or with the property of other clients without specific written authorization. Lastly, the certificant must return a client's property to the client as requested within a reasonable period of time.

4. Obligations to Prospective Clients and Clients

A certificant shall only offer advice in areas where he or she is competent. A certificant must be in compliance with all regulatory and licensing requirements, and any suspension or revocation from the CFP Board must be disclosed. A certificant is expected to use reasonable and prudent professional judgment in providing services.

5. Obligations to Employers

A certificant who is an employee/agent will provide services in accordance with the employer's objectives and in compliance with the CFP Board's Code of Ethics. The employer will also be notified by the certificant of any suspension or revocation received from the CFP Board.

6. Obligations to CFP Board

A certificant must adhere to the terms of all agreements with CFP Board. To retain the right to use the CFP marks, the certificant must meet continuing education requirements as specified by CFP Board. Contact changes such as phone number, email address and physical address must be provided to CFP Board within 45 days, and certificants must notify CFP Board within 10 days in writing of any convictions of crimes (other than misdemeanors or traffic violations, unless the offense involved the use of alcohol or drugs). Professional suspensions or revocations must also be promptly reported.

1.3.2 The CFP Board of Standards Financial Planning Practice Standards

The CFP Board has established a framework for the practice of financial planning which parallels the six steps in the financial planning process. The standards are intended to advance professionalism and enhance the value of the planning process.

Practice Standards 100 Series (Relates to Step One: Defining the scope of the engagement)

- Planner and client must agree on what topics and activities will be undertaken.
- Conflicts of interest, compensation, specific responsibilities of each party and the length of the engagement must be disclosed.
- Some disclosures may have to be in writing.

Practice Standards 200 Series (Relates to Step Two: Determining a client's personal and financial goals, needs and priorities)

- Prior to making any recommendations to a client, the planner must determine the client's values, attitudes, expectations and time horizons as they relate to the client's goals, needs and priorities.
- The role of the planner is to facilitate the goal-setting process. This includes agreeing on realistic goals in light of the client's situation and obtaining from the client a commitment to accomplish the goals.
- The planner must obtain adequate information from the client before making any recommendations.

Practice Standards 300 Series (Relates to Step Three: Analyzing and evaluating the client's Information)

- The planner must analyze the client's information to determine the feasibility of attaining the agreed-upon goals. Personal assumptions such as the time of retirement, life expectancy, income needs, risk factors, time horizon and special needs are included. In addition, the planner will utilize economic assumptions such as inflation, tax rates and investment returns.

Practice Standards 400 Series (Relates to Step Four: Developing and presenting the financial planning recommendations)

- Several tasks are part of this critical step. The tasks can be described with three questions: What is possible? What is recommended? How is it presented? The first two tasks require creativity, thought and judgment on the part of the planner, and these tasks are usually completed outside the presence of the client. Among the alternatives available, the planner then selects to recommend the ones that better serve the needs of the client, and communicates them to the client.
- In presenting the recommendations to the client, the planner should help the client understand the assumptions, advantages and disadvantages, risks and time frames used. At the conclusion of the presentation, the planner should obtain a commitment from the client to accept the recommendations.

Practice Standards 500 Series (Relates to Step Five: Implementing the financial planning recommendations)

- The planner and client should agree on implementation responsibilities to carry out the recommendations in step four.

- Specific activities must be identified and assigned. This may include selection of and involvement of other professionals such as accountants, insurance agents, attorneys and investment specialists. The client must give permission for any personal information in the plan to be shared with others.

Practice Standards 600 Series (Relates to Step Six: Monitoring)

- The client and financial planner should agree on responsibilities for monitoring the effectiveness of the plan. Some client engagements may not include on-going monitoring duties by the financial planner.
- If the financial planner is engaged to provide monitoring services, the scope, frequency and communication of progress must be defined.

1.3.3 Disciplinary Rules and Procedures

The CFP Board of Standards has the ability to enforce the Rules of Conduct and Practice Standards referred to earlier and to impose sanctions against offenders. A Disciplinary and Ethics Commission has been formed and given the responsibility of investigating, reviewing and taking action on alleged violations. Grounds for discipline include, among others, violations of the Rules of Conduct and Practice Standards, criminal convictions, failure to respond to the commission's requests for information and providing false or misleading information to the CFP Board. Discipline actions include private censure, a public letter of admonition, suspension of rights to use the CFP marks for up to five years or permanent revocation.

1.4 Practical Application: Meet the Milfords

Throughout the chapters of this book, you will be able to experience first hand the real life application of the material through the eyes of a typical American family, the Milfords. Ric Milford, age 42, earns \$80,000 a year selling medical equipment. He has the potential to earn up to 25% of his salary as an annual bonus depending on his sales. Ric's wife, Vanessa, is 39 years old and earns \$50,000 per year as a school teacher. Ric and Vanessa have two daughters: Samantha, 10 years old, and Cassandra, 7 years old. Ric also has a 15-year old son, Michael, from his first marriage.

In many special sections titled "Practical Application," you follow the Milfords as they face all kinds of financial situations that are typical in the life of a household. The Milfords often are assisted in their financial decision making process by the expert analysis and recommendations of a Certified Financial Planner™. These sections provide you with an opportunity to really connect with the material, to experience financial planning for all aspects of family finances and to practice being a financial planner. What would you advise the Milfords to do in each of these situations?

Summary

Personal financial planning is both a science and an art. The regulatory environment in which a financial planner works is extensive and constantly changing. Many aspects of planning are numbers driven, requiring major fact gathering, meaningful analysis and quantification of goals and objectives. On the other hand, a financial planner must be a good listener and a trusted advisor to develop and maintain a mutually beneficial relationship with each individual client. Competent financial

planners, who maintain their skills through continuing education and practice at the fiduciary level of care, offer a great value to individuals who are willing to follow their leadership through the financial planning process.

The chapters that follow will introduce the major personal financial planning topics: budgeting, insurance and risk management, investments, education funding, income taxes, retirement planning and estate planning. Regulations, laws and rules pertaining to financial planning and each of these topics will also be introduced.

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Review Questions

1. Describe the fiduciary standard.
2. What functions does a “fee only” financial planner provide?
3. What are some of the major life events that would call for a review of a financial plan?
4. What are the four requirements for an individual to become a certified financial planner?
5. In the financial planning process, why is it important that the planner and the client have a written agreement?
6. One of your clients is really annoying to you. He is rude, disrespectful and seems to be in your office all the time. You would prefer if he stopped using you as his financial planner. Should you start providing him with bad advice so he can look for another advisor?
7. What can the CFP Board do to a certificant who violates the Code of Ethics and/or the Rules of Conduct?
8. On the fact finder form, why does the client have to go to the trouble of providing statements on deposit and brokerage accounts and debts?
9. For what purpose would a financial planner use the information about how the client’s assets are owned?
10. Should everyone in a financial planner’s firm have access to the information on a fact finder form or to the planner’s notes from meetings with a client?

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Appendix

Abbreviated Fact Finder Form

Section One – Personal Information

Full Name

Gender

Date of Birth

Home Address

Telephone Numbers

Email Address

Social Security Number

Occupation

Employer

Length of Employment

Address of Employer

Marital Status (spouse's name)

Dependents (child/grandchild/other family members)

Section Two – Assets and Liabilities

Deposit Accounts (type of account, owner, method of ownership, current balance)

Marketable Stocks and Bonds (name of issuer, owner—if in a brokerage account, give specific details, current market value, cost basis)

Stock Options/Restricted Stock (issuers, type of grant, vesting, expiration dates, shares covered and strike prices)

Retirement Accounts (IRAs, employer-sponsored plans, annuities)

Notes Receivable (include copies of all documents)

Personal Property (vehicles, boats, equipment and machinery, furniture, art, jewelry)

Real Estate Owned (Primary residence, vacation houses, business property)

Personal Liabilities (credit cards, charge accounts, margin accounts, vehicle secured loans, real estate secured loans, student loans, other liabilities)

Section Three – Insurance

Life Insurance (details on all policies including issuer, owner, type of policy, death benefit, cash value, names of beneficiaries)

Disability Insurance (details on all policies)

Property and Casualty Insurance (details on all policies: homeowners, vehicle, umbrella coverage, personal articles floater coverage, worker's compensation for domestic workers, flood)

Long-Term Care Insurance (details on all policies)

Medical Insurance (sources of coverage, policy limits, deductibles, co-pays, premiums)

Section Four – Income and Expenses

Income (salaries, bonuses, commissions, interest, dividends, rental, alimony, child support, Social Security, retirement)

Expenses (loan payments, utilities, property taxes, food, entertainment, dues, vehicle related, clothing, home maintenance, transportation, child support, alimony, charitable gifts)

Taxation of Income (copies of federal, state and local tax returns for last three years, estimated tax payments, audits of tax returns)

Section Five – Retirement Plans

Retirement Goals (age, income needed, location changes, medical insurance coverage, asset retention goals—deplete or retain)

Section Six – Estate Planning

Status of Documents (copy of will, living will, powers of attorney, powers of appointment, health care power of attorney, DNR orders)

Trusts (copy of all whether grantor, trustee or beneficiary)

Charitable Giving (history and lifetime intentions; intended legacy gifts)

Inheritances (do you anticipate receiving any?)

Goals for Asset Distribution from Your Estate (individuals, charities)

Section Seven – Business Ownerships

Closely Held Businesses (name, address, type of business, percentage ownership, income tax status, key employees, cost basis, value of the business and how determined, buy-sell agreements, goals for the business, plans to transfer your interest at retirement or death)

Professional Practices (name, address, type of business, percentage ownership, income tax status, other owners/principals, buy-sell agreements, transfer agreements, key employees)

Section Eight – Education Objectives

Family Members (Would you like to provide funds for children, grandchildren or others for undergraduate or graduate school expenses?)

Education Accounts (provide details on 529 or pre-paid tuition plans, education trusts, UGMA/UTMA accounts)

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