



Financial Planning Standards Board India
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Financial Planning Practice Standards



Financial Planning's Highest Global Standard

FPSB India's Financial Planning Practice Standards

Statement of Purpose for Practice Standards

The Practice Standards have been developed and promulgated by FPSB India in line with global best practices on Financial Planning. These can be defined as standards of performance that:

- Establish the level of practice expected of a Financial Planning professional engaged in the delivery of Financial Planning to a client;
- Establish norms of professional practice and allow for consistent delivery of Financial Planning by Financial Planning professionals;
- Clarify the respective roles and responsibilities of Financial Planning professionals and their clients in Financial Planning engagements; and
- Enhance the value of the Financial Planning process.

Financial Planning is the process of developing strategies to assist clients in managing their financial affairs to meet life goals. The process of Financial Planning involves reviewing all relevant aspects of a client's situation across a large breadth of Financial Planning activities, including inter-relationships among often conflicting objectives. FPSB India's Financial Planning Practice Standards establish the level of professional practice reasonably expected of Financial Planning professionals during Financial Planning engagements, regardless of practice type, setting, location or method of compensation.

Format of the Statement of Practice Standards

Each Practice Standard is a statement that relates to an element of the Financial Planning process. The statement is followed by an explanation of the Practice Standard's intent, which guides interpretation and application of the Practice Standard (based on a standard of reasonableness). The explanation is not intended to establish a professional standard or duty beyond what is contained in the Practice Standard itself.

The Practice Standards are not intended to prescribe the services to be provided or step-by-step procedures for providing any particular service. The Financial Planning process is an integrated one; functions may be combined and/or revisited based on the ongoing relationship between the Financial Planning professional and the client.

Applicability of Practice Standards

Practice Standards apply to CFP^{CM} professionals while performing the tasks of personal Financial Planning regardless of the person's title, job position, type of employment, or method of compensation. Conduct inconsistent with a guideline in and of itself is not intended to give rise to a cause of action or to create any presumption that a legal duty has been breached. These are intended to provide CFP^{CM} professionals a structure for identifying and implementing expectations regarding the professional practice of personal Financial Planning, and not intended to prescribe step-by-step procedures for providing any particular service.

A Financial Planning professional should always consider all aspects of a financial situation in formulating strategies and making recommendations, and should follow these Practice Standards to the extent that they apply to any given situation. At least some of these Practice Standards apply both to comprehensive Financial Planning and to the provision of services that only represent one of the components of Financial Planning (i.e., Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

Standard 1, dealing with establishing and defining the relationship with the client, applies any time a Financial Planning professional provides Financial Planning or components of Financial Planning to a client. This serves to establish clear and appropriate expectations for the client and the Financial Planning professional. Standards 2 through 6 apply to the extent that they are relevant to the Financial Planning engagement (the scope of the engagement document will dictate the applicability of the standards). The Practice Standards related to a defined Financial Planning process have been categorized in the table below:

Financial Planning Process		Related Practice Standard(s)	
Step1	Establish and define the relationship with the client.	1.1	Inform the client about Financial Planning and the Financial Planning professional's competencies.
		1.2	Determine whether the Financial Planning professional can meet the client's needs.
		1.3	Define the scope of the engagement.
Step2	Collect the client's information.	2.1	Identify the client's personal and financial objectives, needs and priorities.
		2.2	Collect quantitative information and documents.
		2.3	Collect qualitative information.
Step3	Analyze and assess the client's financial status.	3.1	Analyze the client's information.
		3.2	Assess the client's objectives, needs and priorities.
Step4	Develop the Financial Planning recommendations and present them to the client.	4.1	Identify and evaluate Financial Planning strategies.
		4.2	Develop the Financial Planning recommendations.
		4.3	Present the Financial Planning recommendations to the client.
Step5	Implement the client's Financial Planning recommendations.	5.1	Agree on implementation responsibilities.
		5.2	Identify and present product(s) and service(s) for implementation.
Step6	Review the client's situation.	6.1	Agree on responsibilities and terms for review of the client's situation.
		6.2	Review and re-evaluate the client's situation.

Each of these Practice Standards, its scope and explanation is given below in detail:

1. Establish and Define the Relationship with the Client

1.1 Inform the Client about Financial Planning and the Financial Planning Professional's Competencies

The CFP^{CM} professional informs the client about the Financial Planning process, the services he/she offers, and the his/her competencies and experience.

Explanation

Prior to entering into a Financial Planning engagement with the client, the CFP^{CM} professional helps the client understand the Financial Planning process and the nature of Financial Planning engagements, and provides information on his/her qualifications, scope of services and the charges that might be incurred by the client. This information may include: how Financial Planning can help the client meet objectives; a description of his/her methodology when providing such services; information about his/her licenses, experience and expertise.

1.2 Determine whether the Financial Planning Professional can meet the Client's Needs

The CFP^{CM} professional and the client determine whether the services offered by the CFP^{CM} professional and his/her competencies meet the needs of the client. The CFP^{CM} professional considers his/her skills, knowledge and experience in providing the services requested or likely to be required by the client. The CFP^{CM} professional determines if he/she has any conflict(s) of interest and discloses the same.

Explanation

The CFP^{CM} professional considers if he/she, or his/her staff, has the appropriate abilities, skills and knowledge to meet the client's expectations. He/she considers if there are any personal conflicts that would affect his/her ability to work successfully with the client. He/she determines if there are any other circumstances, relationships or facts that would place his/her interest(s) in conflict with the client's interest(s), or the interest(s) of one client in conflict with another client. The CFP^{CM} professional discusses the confidentiality of the client's information.

1.3 Define the Scope of the Engagement

The CFP^{CM} professional and the client agree on the services to be provided. The CFP^{CM} professional describes, in writing, the scope of the engagement before any Financial Planning services are provided, including details about: the responsibilities of each party (including third parties); the terms of the engagement; and compensation and conflict(s) of interest of the CFP^{CM} professional. The scope of the engagement is set out in writing in a formal document signed by both parties or formally accepted by the client and includes a process for terminating the engagement.

Explanation

Mutually defining the scope of the engagement establishes realistic expectations for both the client and the CFP^{CM} professional. The CFP^{CM} professional and the client may agree that the scope of the engagement covers one, several or all of the Financial

Planning Components (i.e., Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

A written document ensures mutual understanding and agreement between the CFP^{CM} professional and the client about the terms of the Financial Planning engagement. In setting out the terms in an engagement letter or disclosure document, the CFP^{CM} professional includes the following:

- Specific services to be included or excluded, such as implementation and review;
- The CFP^{CM} professional's compensation arrangements with respect to the engagement, including fees to be paid by the client;
- Existing conflicts of interest, including those involving compensation arrangements with third parties, and agreement to disclose subsequent conflicts of interest if or when they occur;
- Specific parties to the engagement, including details of any legal and agency relationships which may exist;
- Assurance of protection of client confidentiality;
- Duration of the engagement;
- The client's responsibilities, including the full and timely disclosure of information;
- The CFP^{CM} professional's responsibilities;
- Provisions for terminating the client engagement; and
- Procedures for resolving the client's claims and complaints against the CFP^{CM} professional.

Additional information that may form part of the formal written document includes:

- The potential need to use other professionals during the engagement;
- An explanation of qualifications, licenses and experience of individuals who will work with the client;
- Specific limitations on the use of client information; and
- Any other information necessary to adequately inform the client.

Circumstances may change the CFP^{CM} professional's ability to provide services to the client, or the client may decide to terminate services or transfer to another professional. The CFP^{CM} professional disengages the client or facilitates the client's transfer to another adviser in a professional manner.

2. Collect the Client's Information

2.1 Identify the Client's Personal and Financial Objectives, Needs and Priorities

The CFP^{CM} professional and the client identify the client's personal and financial objectives, needs and priorities that are relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The CFP^{CM} professional strives to clearly understand the client's current situation and financial objectives, needs and priorities. The client's financial objectives state intent, provide guidance and bring structure to the Financial Planning engagement. The CFP^{CM} professional assists the client in clarifying and prioritizing his/her short and long-term objectives, and discusses with the client the merit and feasibility of any objectives that appear to be unrealistic.

2.2 Collect Quantitative Information and Documents

The CFP^{CM} professional collects sufficient quantitative information and documents about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The CFP^{CM} professional strives to collect complete and accurate client information and documents relevant to the scope of the engagement. The CFP^{CM} professional relies on information provided by the client and other sources to make appropriate recommendations and clearly communicates to the client the importance of collecting complete, current and accurate information.

In return, the CFP^{CM} professional respects the confidentiality of, and safeguards, client documents. If the CFP^{CM} professional is unable to collect information necessary to develop and support recommendations, he/she discusses this with the client, explaining how these limitations impact the engagement and the financial plan. These limitations could result in a revised engagement document or in termination of the engagement.

2.3 Collect Qualitative Information

The CFP^{CM} professional collects sufficient qualitative information about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

Explanation

The CFP^{CM} professional gathers information to understand the client's values, attitudes, expectations and financial experiences. This includes asking questions of the client and employing appropriate listening skills. The CFP^{CM} professional determines the client's level of sophistication and financial literacy. These areas are subjective and the CFP^{CM} professional's interpretation may be limited by what the client reveals.

3. Analyze and Assess the Client's Financial Status

3.1 Analyze the Client's Information

The CFP^{CM} professional analyzes the client's information, subject to the scope of the engagement, to gain an understanding of the client's financial situation.

Explanation

The CFP^{CM} professional analyzes the client's current situation and information, and works with the client to resolve obvious omissions and/or inconsistencies in the information collected. As part of this analysis, the CFP^{CM} uses client-specified, mutually agreed upon objectives and other reasonable assumptions, which may include the client's retirement age, life expectancy, income needs, risk factors, time horizon and special needs, as well as economic assumptions such as inflation rates, tax rates and investment returns.

3.2 Assess the Client's Objectives, Needs and Priorities

The CFP^{CM} professional assesses the strengths and weaknesses of the client's current financial situation and compares them to the client's objectives, needs and priorities.

Explanation

The CFP^{CM} professional considers the opportunities and constraints presented by the client's financial situation and current course(s) of action, and determines the likelihood of the client reaching his or her objectives by continuing present activities or making anticipated changes. The CFP^{CM} professional may identify other issues that may impact the client's ability to achieve objectives, which he/she discusses with the client. It may be appropriate for the CFP^{CM} professional to amend the scope of the engagement and/or to obtain additional information.

4. Develop the Financial Planning Recommendations and Present them to the Client

4.1 Identify and Evaluate Financial Planning Strategies

The CFP^{CM} professional considers one or more strategies relevant to the client's current situation that could reasonably meet the client's objectives, needs and priorities.

Explanation

The CFP^{CM} professional identifies alternative strategies for achieving the client's confirmed objectives. The CFP^{CM} professional evaluates the ability of each strategy to reasonably address the client's objectives, needs and priorities. This evaluation may involve discussing with the client the importance, priority and timing of the client's objectives and needs; considering multiple assumptions; and/or conducting research or consulting with other professionals. This process may result in a single strategy, multiple strategies or no change to the client's current course(s) of action. In considering alternative strategies, the CFP^{CM} professional takes into account his or her legal and/or regulatory limitations or requirements and his or her competence to address each of the client's objectives, needs and priorities. More than one strategy may meet the client's objectives, needs and priorities. Strategies and consequences identified by the CFP^{CM} professional may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

4.2 Develop the Financial Planning Recommendations

The CFP^{CM} professional develops the financial planning recommendations based on the selected strategies to reasonably meet the client's confirmed objectives, needs and priorities.

Explanation

After identifying and evaluating various strategies and the client's current course(s) of action, the CFP^{CM} professional develops financial planning recommendations that can reasonably meet the client's objectives, needs and priorities. The recommendations may be an independent action or a combination of actions which may need to be implemented collectively. The recommendations may be to continue the current course(s) of action. If the CFP^{CM} professional recommends a change, it may be general

or specific in nature. It may be necessary for the CFP^{CM} professional to recommend that the client modify an objective, need or priority. The recommendations developed by the CFP^{CM} professional may differ from those of other practitioners or advisers, yet each may reasonably meet the client's objectives, needs and priorities. It is important that this part of the Financial Planning process be sufficiently documented.

4.3 Present the Financial Planning Recommendations to the Client

The CFP^{CM} professional presents the Financial Planning recommendations and the supporting rationale in a way that allows the client to make an informed decision.

Explanation

When presenting the Financial Planning recommendations, the CFP^{CM} professional helps the client understand the client's current situation, the factors and assumptions that were critical to the recommendation(s), the risks of the recommended strategy(ies), and the likely impact of the recommendation(s) on the client's ability to meet his/her objectives. The CFP^{CM} professional avoids presenting his or her opinion as fact. The CFP^{CM} professional informs the client that the Financial Planning recommendations will likely need to be modified as the client's personal, economic and other conditions change. The CFP^{CM} professional discloses to the client any conflict(s) of interest not previously disclosed, and explains how such conflicts impact the Financial Planning recommendations. At this stage of the Financial Planning process, the CFP^{CM} professional can further assess whether the Financial Planning recommendations meet the client's expectations, whether the client is willing to act on the recommendation(s), and whether modifications are necessary.

5. Implement the Client's Financial Planning Recommendations

5.1 Agree on Implementation Responsibilities

The CFP^{CM} professional and the client agree on implementation responsibilities that are consistent with the scope of the engagement, the client's acceptance of the Financial Planning recommendations, and the CFP^{CM} professional's ability to implement those recommendations.

Explanation

The CFP^{CM} professional gains the client's agreement on implementation of the recommendations and provides the required documentation. He/she may change the scope of the engagement, as originally defined, based on the agreement reached with the client. The CFP^{CM} professional's responsibilities may include: identifying activities necessary for implementation; determining his/her own responsibilities and that of the client; referring to, and coordinating with, other professionals; sharing client information as authorized; and selecting and securing products and/or services. If there are conflicts of interest, sources of compensation or material relationships with other professionals that have not been previously disclosed, the CFP^{CM} professional discloses these to the client. He/she explains the rationale for referrals and the qualification(s) of the referred professional(s). If a CFP^{CM} professional is engaged by the client to provide only the implementation step of the Financial Planning process, this is clearly defined in writing in the scope of the engagement. This scope may include the extent to which the CFP^{CM} professional relies on information, analysis or recommendations provided by others.

5.2 Identify and Present Product(s) and Service(s) for Implementation

Based on the scope of the engagement, the CFP^{CM} professional identifies and presents appropriate product(s) and service(s) that are consistent with the Financial Planning recommendations accepted by the client.

Explanation

The CFP^{CM} professional investigates and recommends products or services that are suitable to the client's financial situation and reasonably address the client's objectives, needs and priorities. He/she uses professional judgment in identifying the products and services that are in the client's interest. Professional judgment incorporates both qualitative and quantitative information. Solutions identified by the CFP^{CM} professional may differ from those of other professionals since more than one product or service may meet the client's needs. The CFP^{CM} professional makes all disclosures to the client required by applicable regulations. Recommendations regarding products or services may be presented concurrently with the Financial Planning strategies and recommendations.

6. Review the Client's Situation

6.1 Agree on Responsibilities and Terms for Review of the Client's Situation

The CFP^{CM} professional and client mutually define and agree on terms for reviewing and reevaluating the client's situation.

Explanation

The CFP^{CM} professional communicates to the client that Financial Planning is a dynamic process that may require updates due to changes in the client's personal, economic or other conditions. The CFP^{CM} professional and the client mutually agree on, and understand, their respective roles, if any, in ensuring that the client's situation is being adequately reviewed. He/she defines and communicates to the client the nature and scope of the reviewing activities that he/she will provide. The reviewing process may require him/her to modify the original scope of engagement or initiate a new engagement.

6.2 Review and Re-evaluate the Client's Situation

If conducting a review, the CFP^{CM} professional and the client review the client's situation to assess progress toward achievement of the objectives of the Financial Planning recommendations, determine if the recommendations are still appropriate, and confirm any revisions mutually considered necessary.

Explanation

The review process may include: confirming that the Financial Planning recommendations agreed on by the client and the CFP^{CM} professional have been implemented; assessing progress toward and achievement of the objectives of the Financial Planning recommendations to date; re-evaluating initial or subsequent assumptions made by the CFP^{CM} professional for reasonableness; determining whether changes in the client's circumstances or objectives require adjustments to the financial plan; and mutually agreeing on any required changes. As circumstances and needs

change, a CFP^{CM} professional may need to revisit earlier steps in the Financial Planning process.

Glossary

"Client" A person, persons or related entities with whom the CFP^{CM} professional has a formal Planner-Client relationship. A professional is engaged when an individual, based upon the relevant facts and circumstances, reasonably relies upon information or service provided by that professional.

"CFP^{CM} professional" A person who has been rigorously tested on the criteria of 4Es, viz. Education, Examination, Experience and Ethics, and is in good standing with Financial Planning Standards Board India on the twin criteria of Continuous Education and Certification Fees for usage of CFP^{CM} Marks. Such certified individuals would be deemed to be capable and qualified to offer objective, integrated, and comprehensive financial advice to or for the benefit of individuals to help them achieve their financial objectives.

"Compensation" Any non-trivial economic benefit, whether monetary or non-monetary, that a CFP^{CM} professional or related party receives or is entitled to receive for rendering Personal Financial Planning services.

"Financial Planning" The process of developing strategies to assist clients in managing their financial affairs to meet life goals.

"Financial Planning Process" The process by which a CFP^{CM} professional develops strategies to assist clients in managing their financial affairs to meet life goals which typically includes, but is not limited to, the six steps: 1) Establishing and defining the relationship with the client; 2) Collecting the client's information; 3) Analyzing and assessing the client's financial status; 4) Developing the Financial Planning recommendations and presenting them to the client; 5) Implementing the client's Financial Planning recommendations; and 6) Reviewing the client's situation.

"Financial Planning components" The six components of Financial Planning are: 1) Financial Management; 2) Asset Management; 3) Risk Management; 4) Retirement Planning; 5) Tax Planning; and 6) Estate Planning.

"Sufficient Information" All information necessary for the CFP^{CM} professional to make an informed analysis and recommendation.

"Terms of Review" The frequency, scope, applicable fees and other conditions relevant to the CFP^{CM} professional's review and re-evaluation of the client's situation.