CFP BOARD

ETHICS CE: CFP BOARD'S REVISED *CODE AND STANDARDS*

PRESENTED BY BRETT DANKO, LLC

About Your Instructor

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- Instructor – Brett Danko, CFP®
- President, Brett Danko, LLC
- Brett has worked in the financial services industry for more than 23 years and is a featured nationwide lecturer on matters of personal finance.
- Brett has taught CFP Educational Courses and Review Courses for more than 15 years.

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- In order to ensure that each participant has a chance to respond to content questions about the program, you will receive a survey via e-mail following this program. The survey contains the polling questions shown throughout this presentation. Once we receive your completed online survey following the program, your credit will be processed.

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Learning Objectives

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1. Identify the structure and content of the revised *Code and Standards*, including significant changes and how the changes affect CFP® professionals.
2. Act in accordance with CFP Board's fiduciary duty.
3. Apply the Practice Standards when providing Financial Planning.
4. Recognize situations when specific information must be provided to a Client.
5. Recognize and avoid, or fully disclose and manage, Material Conflicts of Interest.

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STRUCTURE, CONTENT AND SIGNIFICANT CHANGES

LEARNING OBJECTIVE 1

The Revised *Code and Standards*

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- Significant Changes to Content
- The New Structure and Organization
- Duties to:
  - Clients
  - Firms and Subordinates
  - CFP Board

Most Significant Changes to Content

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- Expanded Application of Fiduciary Duty
- Updated Duties to Clients
- Revised Definition of Financial Planning
- Modernized Practice Standards
- New Process for Bankruptcy
- Enhanced Requirements for Reporting

The Structure Has Changed

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Current Standards (Effective Until September 30, 2019)	**Revised Standards** (Effective October 1, 2019)
Introduction	Preamble
Code of Ethics and Professional Responsibility	Code of Ethics
Rules of Conduct	Standards of Conduct
Financial Planning Practice Standards	Practice Standards for the Financial Planning Process
Terminology	Glossary

Code of Ethics

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A CFP® professional must:

1. Act with honesty, integrity, competence, and diligence.
2. Act in the client's best interests.
3. Exercise due care.
4. Avoid or disclose and manage conflicts of interest.
5. Maintain the confidentiality and protect the privacy of client information.
6. Act in a manner that reflects positively on the financial planning profession and CFP® certification.

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Standards of Conduct – Six Sections

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Duties Owed to Clients	Financial Planning and Application of Practice Standards
Practice Standards	Circumvention
Duties Owed to Firms and Subordinates	Duties Owed to CFP Board

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Integrity, Competence, Diligence

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Integrity
- Honesty and candor that is not subordinated to personal gain or advantage
- Standard anti-fraud language

Competence
- Relevant knowledge and skill
- Gain competence, obtain assistance, limit or terminate engagement, and/or refer the Client

Diligence
- Timely and thorough

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Objectivity, Professionalism, Communications

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Sound and Objective Professional Judgment
- Exercise professional judgment that is not subordinated.
- Avoid considerations that could compromise objectivity.

Professionalism
- Treat Clients and others with dignity, courtesy, and respect.

Client Communications
- Provide accurate information in an understandable manner and format.

Comply With the Law

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Confidentiality/Privacy and Technology

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Confidentiality/Privacy
- Applies to non-public personal information (NPPI)
- Exceptions for ordinary business (four) and legal/enforcement (seven)
- Can't benefit from NPPI
- Must protect security and adopt, implement, and provide written notice of policies
- Safe Harbor for Reg S-P (or equivalent)

Technology
- Use reasonable care in selecting, using and recommending
- Have a reasonable understanding of assumptions and outcomes
- Have a reasonable basis for believing outcomes will be reliable, objective, and appropriate

Refrain from Borrowing, Lending, and Commingling Financial Assets

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Representation of Compensation Method

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Key Terms and Concepts:

- Fee-Only and Fee-Based
- Sales-Related Compensation
- Related Party Compensation
- Representations by a CFP® Professional's Firm

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Fee-Only Application

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Working With Additional Persons

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Duties When Engaging or Recommending
- Develop reasonable basis
- Disclose compensation arrangements

Duties When Engaging
- Exercise reasonable care

Duties When Working With Additional Persons
- Communicate about services and responsibilities
- Inform client if the other provider did not perform or uphold responsibilities

Duties Owed to Firms and Subordinates

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- Use Reasonable Care When Supervising
- Comply with Lawful Objectives of Firm
- Provide Notice of Public Discipline

Duties Owed to CFP Board

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- Avoid Adverse Conduct
- Report Incidents of Apparent Adverse Conduct Within Thirty Days
- Provide a Narrative Statement
- Cooperate with CFP Board
- Comply with the *Terms and Conditions of Certification and License*

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Quick Review

CFP BOARD

- New **Structure** and **Organization**
- Duties to:
  - **Clients**
  - **Firms and Subordinates**
  - **CFP Board**

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Apply the New *Code & Standards*

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Polling Questions (Respond in post-program survey)

- Polling Question 1:
  The Code and Standards contains new Duties to Clients when Selecting, Using, and Recommending Technology, and when Recommending, Engaging, and Working With Additional Persons.

  Answer Options: True/ False/ I'm guessing

- Polling Question 2:
  A CFP® Professional may use the term "fee-based" to describe his or her compensation method only if the CFP® Professional satisfies the standard for being "fee-only."

  Answer Options: True False I'm guessing

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Apply the New *Code & Standard*

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Vignette: Working With Others

Barb is a CFP® professional who is providing financial planning to Chris. Because Chris does not want any of his assets to go to probate when he dies, Barb determines that Chris should establish a living trust for his assets.

Chris engages Matt, a prominent trusts and estates attorney referred to him by Barb, to establish the living trust. Barb does not disclose to Chris that she and Matt have a written agreement providing that, if Barb refers a client to Matt for legal advice, Matt must refer a client to Barb for financial advice. After the living trust is established by Matt, Barb assists Chris in re-registering the assets that she is managing for Chris in the name of the trust.

Sadly, Chris dies six months later and his family discovers that the assets Barb was not managing never were placed in the living trust. Apparently, Matt and Barb each believed that the other would re-register the assets, but neither of them did so. As a result, Chris's assets did not avoid probate.

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Vignette: Working With Others

Which of the following statements about this scenario are true?

1. Barb complied with the Duties When Recommending, Engaging, and Working with Additional Persons.

2. Barb was not required to disclose to Sally the mutual-referral agreement she had with Matt because Matt offers services at a below-market rate.

3. Barb failed to communicate with Matt and Chris about the scope of their respective services and the allocation of financial responsibility between them.

4. Barb failed to communicate with Matt about the scope of their respective services and the allocation of responsibility between them.

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Apply the New *Code & Standard*

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Vignette: Working With Others

Correct Response: 4 is correct. Standard A.13 sets forth Duties When Recommending, Engaging, and Working with Additional Persons. Barb had a reasonable basis for recommending Matt based on Matt's reputation, experience, and qualifications. However, Barb had a duty to disclose her mutual referral relationship to Chris, either prior to the Engagement or at the time of the recommendation, because Barb was receiving a material economic benefit from Matt in exchange for the recommendation. In addition, as a CFP® professional, Barb was required to communicate with Matt about the scope of their respective services and the allocation of responsibility between them. By failing to communicate with Matt about who was responsible for placing the assets that Barb was not managing into the living trust, neither of them re-registered the assets, causing the assets to be placed in probate upon Chris's death. C is not correct because the Standard does not require Barb to discuss with Chris, her client, the allocation of responsibilities between Barb and Matt. Further, the rule requires the allocation of responsibilities, not the allocation of financial responsibility.

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CFP BOARD'S FIDUCIARY DUTY

LEARNING OBJECTIVE 2

The Fiduciary Duty

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- Includes a Duty of Loyalty, a Duty of Care, and a Duty to Follow Client Instructions
- Applies to all Financial Advice to a Client
- Defines Financial Advice Broadly

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Fiduciary: Act in the Client's Best Interests

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Duty of Loyalty
- Place Client's interests ahead of your own
- Material Conflicts: avoid or fully disclose, obtain consent, & properly manage
- Act without regard to interests of others

Duty of Care
- Act with care, skill, prudence, and diligence
- Consider Client's goals, risk tolerance, objectives, and circumstances

Duty to Follow Client's Instructions
- Comply with Terms of Engagement
- Follow Client's reasonable and lawful directions

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Applies to All Financial Advice

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Application
- "At all times when providing Financial Advice to a Client"
- More expansive than when providing Financial Planning

Who is a "Client"?
- Any person, including a natural person, business organization or legal entity
- To whom the CFP® professional provides or agrees to provide "Professional Services"
- Pursuant to an "Engagement"

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Financial Advice Broadly Defined

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Financial Advice:

A. A communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take a particular course of action with respect to:
   1. The development or implementation of a financial plan
   2. The value of or the advisability of investing in, purchasing, holding, gifting or selling Financial Assets
   3. Investment policies or strategies, portfolio composition, or asset management
   4. The selection and retention of other persons to provide financial or Professional Services to the Client, or

B. The exercise of discretionary authority over Financial Assets.

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Quick Review

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- ✓ Duty of **Loyalty**
- ✓ Duty of **Care**
- ✓ Duty to **Follow Client Instructions**
- ✓ Fiduciary Duty Applies to **All** Financial Advice
- ✓ Financial Advice **Broadly** Defined

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Apply the New *Code & Standard*

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Polling Questions (Respond in post-program survey):

- 1. Under the Code and Standards, whether a CFP® Professional has a fiduciary duty depends on whether the CFP® Professional is providing "Financial Planning." A CFP® Professional may provide Financial Advice without owing a Fiduciary Duty.

  Answer Options: True/ False/ I'm guessing

- 2. In order for there to be Financial Advice, there must be compensation.

  Answer Options: True/ False/ I'm guessing

- 3. A CFP® Professional who provides marketing materials and general financial education materials is "Providing Financial Advice."

  Answer Options: True/ False/ I'm guessing

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Vignette: Duty of Care

Ray, a CFP® professional, asks his new Client, Sue, to complete his firm's required account opening forms. Later, Ray notices that Sue completed the forms inconsistently with respect to her risk tolerance. Sue indicated on one form that she cannot tolerate losing 5% of her investment but stated on another form that she has an aggressive risk tolerance.

Ray's supervisor learns that Sue selected an aggressive risk tolerance and urges Ray to consider a private placement investment for Sue with potentially large returns but substantial risk. After analysis, Ray determines that the investment would match Sue's stated risk tolerance. Ray explains the investment and Sue chooses to purchase the investment.

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Apply the New *Code & Standard*

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Vignette: Duty of Care

Which of the following statements about this scenario are true?

A. Ray met his duty of care because he solicited information about Sue's risk tolerance and recommended an investment to Sue that matched that risk tolerance.

B. Ray violated his duty of care because a prudent CFP® professional acting with diligence would have spoken with Sue about the inconsistent risk tolerance information prior to recommending the investment.

C. Ray violated his duty of care to Sue because the investment itself is not appropriate for Sue.

D. Ray violated his duty of care because a prudent CFP® professional would have assumed that with Sue's fear of losing 5% of her investment she would want a conservative investment.

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Vignette: Duty of Care

Correct Response: B is correct. Under Standard A.1.b., a prudent CFP® professional would have been more diligent in exploring the inconsistent information that Sue provided about her risk tolerance before recommending an investment that matched an aggressive risk tolerance.

Ray is unable to determine whether the investment is in Sue's best interests until he addresses the apparent inconsistency with Sue and develops a clear understanding of Sue's risk tolerance. D is incorrect because Ray should have had a discussion with Sue about the inconsistency in responses and should not assume what she wants.

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APPLYING THE PRACTICE STANDARDS

LEARNING OBJECTIVE 3

Updated Practice Standards

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- Updated Financial Planning Definition
- A Revised Standard for Determining Whether the Practice Standards Apply
- Options When Required to Comply with the Practice Standards but the Client Does Not Want Financial Planning
- Documentation
- Updates to Steps in the Financial Planning Process

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An Updated Financial Planning Definition

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Current Standards (Effective Until September 30, 2019)	Revised Standards (Effective October 1, 2019)
"Personal financial planning" or "financial planning" denotes 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.	Financial Planning is a collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances.

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Application of the Practice Standards

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The Practice Standards Apply When:

- The CFP® professional agrees to provide or provides Financial Planning
- The CFP® professional agrees to provide or provides Financial Advice that requires integration of relevant elements to act in Client's best interests
- The Client has a reasonable basis to believe the CFP® professional will provide or has provided Financial Planning

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When Integration Is Required

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The Integration Factors:

- Number of relevant elements
- Portion and amount of the Client's assets affected
- Length of time the Client's circumstances may be affected
- Effect on exposure to risk
- Barriers to modification of Financial Advice

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CFP Board Evaluation

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- If CFP Board alleges a Practice Standards violation
- And the CFP® professional denies the allegations
- Then the CFP® professional has the burden of demonstrating that Financial Planning was not required

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Clients Who Do Not Want Financial Planning

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If a CFP® professional otherwise must comply with the Practice Standards, but the Client does not agree to engage for Financial Planning, a CFP® professional must either:

- Not enter into the Engagement
- Limit the scope to services that do not require Financial Planning
- Provide the requested service but explain the benefits of Financial Planning and limitations on services
- Terminate the Engagement

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Documentation Requirement

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If required to comply with the Practice Standards, a CFP® professional must act prudently in documenting information, taking into account:

- The significance of the information
- The need to preserve the information in writing
- The obligation to act in the Client's best interests and
- The CFP® Professional's Firm's policies and procedures

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Current Practice Standards (Effective Until September 30, 2019)	New Practice Standards (Effective October 1, 2019)
1. Establishing and Defining the Relationship with the Client	Moved to Section A.10: Provide Information to a Client
2. Gathering Client Data	1. Understanding the Client's Personal and Financial Circumstances
	2. Identifying and Selecting Goals
3. Analyzing and Evaluating the Client's Financial Status	3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action
4. Developing and Presenting the Financial Planning Recommendations (Identifying and Evaluating Alternatives)	
4. Developing and Presenting Financial Planning Recommendations (Developing Recommendations)	4. Developing the Financial Planning Recommendation(s)
4. Developing and Presenting Financial Planning Recommendations (Presenting Recommendations)	5. Presenting the Financial Planning Recommendation(s)
5. Implementing the Financial Planning Recommendations	6. Implementing the Financial Planning Recommendation(s)
6. Monitoring	7. Monitoring Progress and Updating

Steps 1-3: Circumstances, Goals, Options

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Step 1: Understanding Personal and Financial Circumstances
- Obtaining Qualitative and Quantitative Information
- Analyzing Information
- Addressing Incomplete Information

Step 2: Identifying and Selecting Goals
- Identifying Potential Goals
- Selecting and Prioritizing Goals

Step 3: Analyzing the Client's Current and Potential Alternative Course(s) of Action
- Analyzing Current Course of Action
- Analyzing Potential Alternative Course(s) of Action

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Steps 4-5: Developing and Presenting

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Step 4: Developing the Financial Planning Recommendation(s)
- Select recommendation(s) to maximize Client potential for meeting goals
- For each recommendation, consider:
  - Assumptions and Estimates
  - Basis for Recommendation
  - Timing/Priority
  - Interdependency of Recommendation

Step 5: Presenting the Financial Planning Recommendation(s)
- Present recommendations
- Present information considered in developing the recommendation(s)

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Steps 6-7: Implementing and Monitoring

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Step 6: Implementing the Financial Planning Recommendation(s)
- Address implementation responsibilities
- Identify, analyze and select actions, products and services
- Recommend actions, products, and services for implementation
- Select and implement actions, products and services

Step 7: Monitoring Progress and Updating
- Monitoring and updating responsibilities
- Monitor the Client's progress
- Obtain current qualitative and quantitative information
- Update goals, recommendations or implementation decisions

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Quick Review

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- ✓ **Updated Definition** - Financial Planning
- ✓ **Revised Standard** - Determining Whether the Practice Standards Apply
- ✓ **Updated Steps** - Financial Planning Process

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Apply the New *Code & Standards*

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Polling Questions (Respond in post-program survey):

1. If a Client does not want to enter into a Financial Planning Engagement, but a CFP® professional believes that the scope of the work requested requires the CFP® professional to comply with the Practice Standards, the CFP® professional may limit the scope of the Engagement to services that do not require application of the Practice Standards.

   Answer Options: True/ False/ I'm guessing

2. To understand the Client's Personal and Financial Circumstances, a CFP® professional must analyze both quantitative and qualitative information.

   Answer Options: True/ False/ I'm guessing

3. If a Client has a reasonable basis for believing that a CFP® professional is providing Financial Planning, then the CFP® professional must comply with the Practice Standards.

   Answer Options: True/ False/ I'm guessing

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Vignette: Practice Standards for the Financial Planning Process

Lance, a CFP® professional, has an initial meeting with a new prospect, Shelly. After agreeing to prepare a financial plan, Lance gathers information about her personal and financial goals, needs and priorities. Shelly provides some documentation, but says she'll need more time to collect additional documents from home.

Lance immediately begins reviewing the initial documents and developing recommendations and decides that Shelly's goals are outdated. Several weeks later, Lance presents Shelly with a financial plan that makes several recommendations he believes are in Shelly's best interest.

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Vignette: Practice Standards for the Financial Planning Process

Which of the following statements about this scenario are true?

A. Lance complied with the first three steps of the Practice Standards by gathering Client data and developing recommendations.

B. Lance has not complied with the Practice Standards because he failed to: obtain information from Shelly; analyze the information to assess Shelly's personal and financial circumstances; and work with Shelly to identify and select goals. Lance also failed to analyze Shelly's current course of action prior to recommending an alternative course of action.

C. Lance has complied with the Practice Standards because he developed recommendations that he believes are in Shelly's best interests.

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Vignette: Practice Standards for the Financial Planning Process

Correct Response: B is correct. The revised Practice Standards for the Financial Planning Process are set forth in Section C of the revised *Code and Standards*. Under Standards C.1. and C.2., a CFP® professional must obtain information concerning the Client's personal and financial circumstances needed to fulfill the Scope of the Engagement, analyze the information to assess the Client's personal and financial circumstances, and then help the Client identify and select goals.

The purpose of this revised process is to understand the Client's personal and financial circumstances before working collaboratively with the Client to identify and select goals. Standard C.3. also requires a CFP® professional to analyze a Client's current course of action and then analyze potential alternative courses of action, which Lance did not do in this case. A is incorrect because it reflects the process that was in place under the prior version of the Practice Standards. C is incorrect because Lance's belief that his recommendations are in the best interests of Shelly does not mean Lance complied with the Practice Standards.

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INFORMATION THAT MUST BE PROVIDED TO THE CLIENT

LEARNING OBJECTIVE 4

Providing Information to a Client

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- Timing, delivery, and updating requirements
- Eight categories of information must be provided
- Additional requirements when providing Financial Planning

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Timing, Delivery, and Updating

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Timing:
- Prior to or at the time of the Engagement

Delivery:
- Financial Advice: No written requirement, but must document
- Financial Planning: Provide in one or more written documents
- Material Conflicts of Interest: Not required to be provided in writing, but evidence of oral disclosure will be given such weight

Updating:
- Ongoing duty to provide Client with a Material change or update
- Updates to disciplinary history or bankruptcies within 90 days

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The Information That Must Be Provided

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A description of the services and products to be provided
How the Client pays for the products and services, and a description of the additional types of costs the Client may incur
How the CFP® professional, the CFP® Professional's Firm, and any Related Party are compensated for providing the products and services
Relevant pubic websites that have information about public discipline and bankruptcies
Other information that is Material to a Client's decision to engage or continue to engage
Full disclosure of all Material Conflicts of Interest
Policies regarding the protection, handling, and sharing of non-public personal information
Any arrangement involving compensation or other economic benefit for recommending other persons

Terms of Engagement

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When Providing Financial Planning: The Terms of the Engagement include:

(a) the Scope of the Engagement and any limitations,
(b) when the services will be provided, and
(c) the Client's Responsibilities

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Quick Review

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- ✓ Information provided to Clients
- ✓ **Timing**, **Delivery**, and **Updating**

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Apply the New *Code & Standards*

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Vignette: Provide Information to a Client

Carlos is a CFP® professional with no bankruptcy or disciplinary history. Jayla, a prospect, meets with Carlos and hires him for Financial Advice not requiring Financial Planning. Carlos orally discloses all Material Conflicts of Interest. Both sign a written Engagement describing the services and products to be provided, how Jayla pays for them, the additional types of costs Jayla may incur, and how Carlos, his firm, and Related Parties are compensated for providing the products and services. The agreement makes Jayla responsible for implementation, monitoring, and updating. Carlos provides another document describing his firm's policies regarding the protection, handling, and sharing of Jayla's non-public personal information.

Has Carlos provided the required information to Jayla?

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Apply the New *Code & Standard*

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Vignette: Provide Information to a Client

A. Carlos has provided the required information set forth in the revised *Code and Standards*.

B. Carlos has not provided the required information to Jayla because he cannot say that a Client is responsible for implementation, monitoring, and updating.

C. Carlos has not provided the required information to Jayla because the agreement does not include a written disclosure of all Material Conflicts of Interest.

D. Carlos has not provided all required information to Jayla because she failed to provide her with the location of the webpages where any governmental authority, self-regulatory organization, or professional organization that may set forth any public disciplinary history or personal bankruptcy or business bankruptcy where the CFP® professional was a Control Person.

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Apply the New *Code & Standard*

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Vignette: Provide Information to a Client

Correct Response: A is correct. The agreement includes the information that Standard A.10 of the revised *Code and Standards* requires. Because Carlos does not have any bankruptcy or disciplinary history, Carlos is not required to disclose the location of the webpages of all relevant public websites of any governmental authority, self-regulatory organization, or professional organization that sets forth his public disciplinary history or any personal or business bankruptcy with respect to which the CFP® professional was a Control Person.

B is not correct because the *Code and Standards* states that a CFP® professional is responsible for implementing, monitoring or updating the Financial Planning recommendations unless those services are specifically excluded from the Scope of Engagement. C is not correct because the *Code and Standards* does not require Conflict of Interest disclosures to be provided in writing. D is not correct because Carlos only would have to provide that information if there is a disclosure set forth on the relevant webpage. Since Carlos does not have a bankruptcy or disciplinary history, he does not need to provide the location of the webpage(s).

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RECOGNIZE AND AVOID OR DISCLOSE AND MANAGE CONFLICTS

LEARNING OBJECTIVE 5

Conflict of Interest Obligations

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- Avoid Material Conflicts of Interest
- For Material Conflicts that are not avoided:
  - Provide Full Disclosure
  - Obtain Informed Consent
  - Manage the Conflict in the Client's Best Interests

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Duty to Fully Disclose Material Conflicts

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Disclosure Obligation:

- Fully disclose all Material Conflicts of Interest that could affect the professional relationship

Conflict of Interest Defined:

- When interests of CFP® professional (and firm) are adverse to the CFP® professional's duties to the Client, or
- When CFP® professional has duties to one Client that are adverse to another Client

Material:

- When a reasonable Client or prospective Client would consider the Conflict of Interest important in making a decision

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Full Disclosure and Informed Consent

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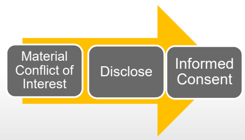
Disclose "Sufficiently Specific Facts"
- Would a reasonable Client understand the conflict and how it could affect the advice?
- Ambiguity interpreted in favor of the Client

Delivery
- Written disclosure is not required
- Oral disclosure weighed as CFP Board deems appropriate



Obtain Informed Consent
- Written consent is not required
- When will consent be inferred?

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Must Also Manage Conflicts

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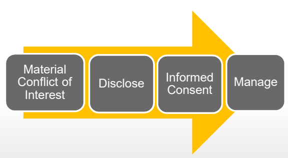
Management of Conflicts
- Must adopt and follow business practices reasonably designed to prevent Material Conflicts from compromising the CFP® professional's ability to act in the Client's best interests



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Quick Review

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- ✓ **Disclose** Material Conflicts of Interest
- ✓ **Obtain** Informed Consent
- ✓ **Manage** the Conflicts

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Apply the New *Code & Standard*

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Polling Questions (Respond in post-program survey)

1. A sincere belief by a CFP® professional with a Material Conflict of Interest that he or she is acting in the best interests of the Client is sufficient to excuse the CFP® professional's failure to make full disclosure of the Material Conflict of Interest.

   Answer Options: True/ False/ I'm guessing

2. The greater the potential harm a Conflict of Interest presents to the Client, and the more significantly a business practice that gives rise to the conflict departs from commonly-accepted practices among CFP® professionals, the less likely it is that CFP Board will infer informed consent absent clear evidence of informed consent.

   Answer Options: True/ False/ I'm guessing

3. A CFP® professional must adopt and follow business practices reasonably designed to prevent Material Conflicts of Interest from compromising the CFP® professional's ability to act in the Client's best interests.

   Answer Options: True/ False/ I'm guessing

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Apply the New *Code & Standard*

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Vignette: CFP® Professional Volunteer

Aisha is a CFP® professional who wants to represent Ultra High Net Worth Clients and determines that one hallmark of these Clients is their propensity toward philanthropy. Aisha is a board member of a local community foundation, a large nonprofit hospital, and her church. Through her various philanthropic roles, Aisha meets several Clients who want her to provide them with financial planning, including assisting them with making choices regarding their philanthropic giving. Depending on the circumstances, Aisha may consider recommending that Clients give to an organization for which she serves as a board member.

Is there a Material Conflict of Interest? If yes, how could Aisha manage these conflicts?

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Apply the New *Code & Standard*

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Vignette: CFP® Professional Volunteer

A. Yes, there is a Material Conflict of Interest. Aisha should disclose her board membership, and notify her Clients of the Conflict of Interest that the membership presents to her when assisting Clients with their philanthropic giving. Aisha also should put into place business practices that will prevent her work with these organizations from compromising her ability to act in her Client's best interests.

B. Yes, there is a Material Conflict of Interest. Aisha should decline to enter into an agreement with prospective Clients and terminate any agreements with existing Clients who intend to make philanthropic gifts.

C. No, there is not a Material Conflict of Interest because her board membership will add to the value of the advice Aisha provides to her Clients.

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Apply the New *Code & Standard*

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Vignette: CFP® Professional Volunteer

Correct Response: A is correct. Under Standard A.5.a., when providing Financial Advice, a CFP® professional must make full disclosure of all Material Conflicts of Interest. Advice regarding charitable giving is Financial Advice here because it is provided as part of the development or implementation of a financial plan.

Aisha has a conflict because a reasonable client would view her board membership as affecting the objectivity of her recommendations and thus is important to the Client's decision whether to accept the recommendation. Under Standard A.5.b., the CFP® professional must adopt and follow business practices reasonably designed to prevent Material Conflicts of Interest from compromising her ability to act in her Clients' best interests.

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Recommended Resources

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Go to www.CFP.net

- Full version new *Code and Standards*
- Commentary on the new *Code and Standards*

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Wrap Up

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- Your feedback is very important. Please go to the evaluation link in your e-mail to give us your thoughts about this program.
- Credits will be reported to CFP Board within 3 business days.
- Final Polling Question: Would you recommend this program to a colleague?

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THANK YOU

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