

CERTIFIED FINANCIAL PLANNER^{CM}

Certification

Assessment Criteria and Standards

1. Introduction

The award of the CERTIFIED FINANCIAL PLANNER^{CM} certification is dependent upon demonstration of knowledge and skill to a defined international standard.

The learning competences (cognitive or thinking competences) required are:

- **Comprehension** - Interpreting, summarising or computing given information
- **Application** - Using information to carry out a function
- **Analysis** - Separating information into parts until the relationships between them are clear in identifying problems
- **Synthesis** - Combining information to produce solutions
- **Evaluation** - Decision-making or judgement based on criteria or rationale

The CFP^{CM} Certification is based on a practical assessment of applied skills. The application skills are assessed under the CFP Certification syllabus and are largely concerned with the application of knowledge competences to written communication, i.e. the ability to present a complex argument and complex supporting data to a client in a coherent and clear manner. However, non-verbal and verbal communication skills will normally be required when obtaining data, or when explaining a written communication.

These skills are implied and so are not explicitly assessed. The skill levels (psychomotor competences) required are: -

- Precision - Skills performed with accuracy
- Articulation - Tasks performed in sequence and with consistency
- Naturalisation - Skills are performed easily, automatically and without reference to a source



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2. International Standards

Minimum Standards for a Comprehensive Financial Plan

Financial Planning is a professional service for clients who need objective assistance in organising their personal or corporate financial affairs to more readily achieve their goals.

The Financial Planning process includes six steps:-

- Collecting and assessing all relevant personal and financial data
- Identifying financial objectives and problems
- Processing and analysing information
- Producing a financial plan, the implementation of which should make the most effective use of a client's resources towards the achievement of his objectives, and identifying alternative solutions
- Implementing the plan
- Reviewing progress and modifying the plan as necessary to take account of changed circumstances

Comprehensive Financial Planning will include the basic areas of Financial Planning along with other areas of concern to the client. The basic areas include:-

- Financial Statement analysis
- Investment Planning
- Tax Planning
- Risk Management and Insurance
- Retirement Planning
- Estate Planning

Other areas of concern may include:-

- Cash Management
- Education Funding
- Employee Benefits
- Charitable Planning
- Business Planning



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2.1 Standards for a Comprehensive Personal Financial Plan

A comprehensive personal financial plan should contain analysis of all relevant factors relating to the client and should incorporate the six components mentioned above. While order and style of presentation may vary depending upon the client's individual circumstances and needs, the plan should include, but not be limited to, the following 15 elements:-

- Client Data
- Client Goals and Objectives
- Identification of Issues and Problems
- Assumptions
- Balance Sheet/Net Worth
- Cash Flow Management
- Income Tax
- Risk Management and Insurance
- Investments
- Retirement Planning and other special needs
- Estate Planning
- Recommendations
- Implementation
- Periodic reviews and plan updates
- Compliance requirements of comprehensive financial plans

2.2 Elements of a Comprehensive Personal Financial Plan

2.2.1 Client Data

The client data collection forms to include relevant personal and family data for parties covered under the plan.

The data collection records should be completed and kept on file. These should include, but not be limited to, name, address, birth date and other relevant data such as names and addresses of other specialist advisers including accountants and solicitors, names of next of kin, details of power of attorney, and whether Wills have been made out. All applicable areas should be completed. Areas on the data records that are not relevant should be clearly marked N/A.

2.2.2 Client Goals and Objectives

The planner should provide a statement of the client's stated goals and objectives, indicating priorities and including a time frame where applicable.



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The statement will form the basic framework for the development of the financial plan. The client's goals and objectives should be expressed in specific and precise language.

2.2.3 Identification of Issues and Problems

The planner lists personal and financial issues and problems which may affect the client, such as major illness, education costs, taxes etc. While the client may be aware of many if not all of the issues, the planner may discover other areas that are or could develop into a problem.

These issues and problems, when combined with the client's goals and objectives will complete the framework and direction for the financial plan.

2.2.4. Assumptions

The planner should identify and state material assumptions used in the preparation of the plan. Assumptions should include, but not be limited to, inflation, investment growth rate, earnings growth rate, mortality, etc.

2.2.5. Balance Sheet/Net Worth

The plan should have a presentation and analysis to include, but not be limited to, a schedule listing assets and liabilities with a calculation of net worth and itemised schedules of liabilities and assets to be included as appropriate.

Footnotes should be included as appropriate.

2.2.6. Cash Flow Management

The plan should have statements and analysis to include, but not be limited to, a statement of the client's sources and uses of funds for the current year and for all relevant years.

The planner should indicate net cash flow (positive and negative) as well as a separate income statement where appropriate.

Sources of income would include earned income, investment income, sale proceeds, gifts etc.

Uses of income would include living expenses, debt service, acquisition of assets, taxes paid etc.

2.2.7. Taxation

The planner should provide a tax statement and analysis to include, but not be limited to, the income and other taxes for all relevant years covered by the plan.

Computations should show the nature of the income and deductions in sufficient detail to permit calculation of tax liability. The analysis should identify the marginal tax rate for each year and any



special situations which affect the client's tax liability. The client should be informed (by footnotes if necessary) in the plan, of any taxes which have not been addressed. Income tax analysis and recommendations on tax effective investments should be, where appropriate, referred to the client's accountant or tax specialist/adviser.

2.2.8. Risk Management and Insurance

The planner should provide an analysis of the client's financial exposure relative to mortality (survivor income and capital needs analysis) and morbidity (impact of poor health) as appropriate.

The planner should provide a listing and analysis of current policies and problems to include, but not be limited to, life, disability, and medical insurances.

2.2.9. Investments

The planner should provide a breakdown of existing asset allocation and analysis or discussion of liquidity, diversification and investment risk exposure of the portfolio and include the suitability of the investments in relationship to the client's needs, goals and objectives.

The financial plan should include, but not be limited to, risk tolerance, risk analysis of investments, suitability, liquidity and asset allocation.

2.2.10. Retirement Planning and Other Special Needs

The planner should provide analysis of capital needed at some future time to provide for financial independence, retirement education or other special needs.

The analysis should include a projection of resources expected to be available to meet those needs at that time. Inflation, growth of assets and State and company benefits should be considered where applicable. Special sections may require separate headings in the financial plan. For example, pension benefits may require an analysis of types available, pre-tax contributions needed, tax treatment of plans and investment of pension fund assets.

2.2.11. Estate Planning

There should be a discussion on the relevance of Wills, trusts and the various powers of attorney.

The planner should, where appropriate, include reference to the client's solicitor for advice on estate matters. There may be a need to identify assets to be included in the client's estate and an analysis of the control (title, trusteeship, power of attorney etc) disposition (transfer of ownership by Will to individuals, beneficiaries or to a trust) and taxation (Inheritance Tax and income tax consequences to the beneficiaries). Evidence should be documented that the client:-

- Has kept Wills updated and these will be appropriate to estate requirements after the financial plan is implemented or has arranged to have his or her solicitors draw up new Wills.



2.2.12. Recommendations

The planner should provide clearly identified and stated written recommendations relating to the client's goals and objectives as well as financial issues and problems.

The plan should include a determination of the actions necessary to compensate for any shortfalls. Recommendations should not be conveyed by implication or inference, and may be generic or specific.

2.2.13. Implementation

The planner should provide a list of action points required to implement the recommendations, indicating responsible parties, action required and timing. This should follow the client's agreement to the recommendations made.

2.2.14. Periodic Reviews and Plan Updates

The plan should include a note of intended periodic reviews and updates of the client's plan and implementation strategy.

The planner's policy must be stated. For example, is a review made at the request of the client, six monthly or annually? Does the review only consider investment assets or other actions.

2.2.15. Compliance Requirements of Comprehensive Financial Plans

All plans must meet legal compliance requirements as at the date the financial plan was prepared.

[For the purposes of CFP^{CM} Certification Case Study entry, these requirements may be omitted]

2.3 General Comments on the Comprehensive Financial Plan

The planner is responsible for the above elements of a comprehensive financial plan, from data gathering through to analysis and presentation to the client. Those elements of the plan which the planner does not personally perform remain the responsibility of the planner to co-ordinate and these should be indicated in the plan.

The implications of the involvement of other family members and/or business partners in the plan should be considered.

When technical areas such as legal, insurance etc, are not personally performed by the planner, the financial plan should include reference to the extent to which these areas have been or will be co-ordinated by the planner.



Analysis of each element of the plan should consist of a review of relevant facts, a consideration of the advantages and/or disadvantages of the current situation and a determination of what, if any, further action is required. The plan should include a summary statement providing the planner's comments on the analysis and his or her recommendations where appropriate for each element of the plan, plus a statement of the planner's client review policy.



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3. Assessment Syllabus

N.B. Candidates are required to submit a case study based financial plan for assessment. The financial plan will be assessed against the following competence statements and the accompanying performance standards for each competence statements.

The standards marked with M are MANDATORY. Each and every mandatory standard must all be passed to pass the certification assessment overall.

Part A - General Competences

1: Presentation

- | | | |
|-----|----------|--|
| 1.1 | M | Does the report or plan have a structure which is logical and form a plan of action? |
| 1.2 | | Was the use of language appropriate to the client in the circumstances? |
| 1.3 | M | Did the language used communicate ideas clearly to a third party? |
| 1.4 | | Is the plan logically collated? |
| 1.5 | | Is the plan easy to read and follow? |
| 1.6 | | Is the plan bound or otherwise fastened together as a document? |

2: Client needs and objectives

- | | | |
|-----|----------|---|
| 2.1 | M | Were client's needs, objectives, aspirations or concerns established and recorded? |
| 2.2 | M | Were the objectives quantified and qualified (i.e. what, how much, when etc.)? |
| 2.3 | | Were additional needs or issues and problems/potential problems considered in respect of these objectives and a conclusion reached? |

3: Identification of issues and problems

- | | | |
|-----|----------|---|
| 3.1 | M | Were appropriate potential problems qualified, quantified and clearly stated for the record? |
| 3.2 | | Has discussion and justification of recommendations been made for three specific financial planning issues? |
| 3.3 | | Is there clear reference to and justification for the exclusion of any other financial planning issues? |

4: Client data

- | | | |
|-----|----------|---|
| 4.1 | | Has client's attitude to personal and business risk management been identified? |
| 4.2 | M | Has client's investment risk attitude been identified for each objective? |
| 4.3 | | Does client data include sufficient "hard fact" to advise on each objective identified? |
| 4.4 | | Is the client data collated and understandable by a third party within the report? |



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5: Assumptions

- 5.1 **M** Were assumptions regarding investment growth, price inflation and earnings inflation discussed?
- 5.2 **M** Were other relevant working assumptions stated and discussed?
- 5.3 **M** Were the various assumptions made adequate for the advice required?
- 5.4 **M** Were all the assumptions stated by the adviser reasoned?
- 5.5 Were the assumptions stated by the adviser reasonable?

6: A balance sheet/net worth statement has been produced?

- 6.1 **M** Was a statement of net worth produced?
- 6.2 **M** Does it include all relevant assets and is the ownership basis identified accurately?
- 6.3 Does it include all relevant debt and is this apportioned accurately?
- 6.4 Is it clear whether this relates to lifetime or death or both (there may be more than one).

7: Income Tax Calculation

- 7.1 **M** Was an analysis produced for each client?
- 7.2 Is it clear to which time period it relates?
- 7.3 **M** Is it technically accurate?
- 7.4 Has the tax position been reviewed resulting in comments to the client's?

8: Income and expenditure/cash flow

- 8.1 **M** Was an analysis of income and expenditure produced?
- 8.2 **M** Is the time period to which it relates, clearly identified?
- 8.3 Does it identify gross and net income?
- 8.4 Does it apportion income between recipients where necessary?
- 8.5 **M** Does it correctly identify shortfall or surplus of income over expenditure?
- 8.6 Is there reference to and/or discussion of net cash flow (spendable income) in relation to joint income and/or each client (where more than one).
- 8.7 Does it include all relevant assets and are irregular capital receipts separately identified?
- 8.8 Are cashflow/spendable income objectives established in line with the client's wishes?
- 8.9 **M** Is it clear whether the client's aspirations can be achieved within current and/or future cash flow constraints or if not can the solution be trimmed/adjusted or prioritised to fit cash flow constraints?
- 8.10 Has liquidity and/or a cash reserve been considered?



9: Recommendations, Implementation and Review

- | | | |
|------|----------|---|
| 9.1 | M | Are recommendations made for each of the problems/concerns, identified and each of the goals/objectives identified? |
| 9.2 | M | Are there clear explanations of how the proposed solution solves the problem? |
| 9.3 | M | Are required actions, timing, parties and responsibilities stated or listed (subject to client's prior agreement)? |
| 9.4 | M | Has a clear action plan been agreed with the clients? |
| 9.5 | M | Is the solution generally suitable for the client and no evidence of unsuitable advice demonstrated? |
| 9.6 | | Are review periods, updates and actions stated? |
| 9.7 | M | Are review contents, responsibilities and parties clearly identified? |
| 9.8 | | Is it clear how a review will be initiated (e.g. at client request or by Financial Planner annually or half yearly)? |
| 9.9 | M | Do the solutions match the client's agreed investment risk attitude (where relevant)? |
| 9.10 | | Is the ownership and method of arranging policies/assets clearly explained (i.e. underwriting process, who takes action to implement this process)? |



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Part B - Technical Competences

Please note, candidates will be assessed on three of these technical competences. Candidates should read the information at the start of the case study for guidance on which of the technical areas to address. In some cases, the technical areas will be specified, in others, candidates can select from a list.

1: Personal risk management/insurance

- 1.1 **M** Have needs and objectives been stated and quantified/qualified?
- 1.2 Has the client's financial exposure to mortality risk (risk of death) and morbidity risk (risk of ill health or injury) been discussed?
- 1.3 Have existing risk management strategies or insurance policies been analysed and taken into account (including social security, pensions or employee benefits)?
Have the solutions been explained, e.g. in terms of providing: -
- a capital sum to repay debt;
 - a capital sum for a specific purpose;
 - a capital sum to produce an income by investment;
 - a replacement regular income stream by insurance?
- 1.4
- 1.5 Are the solutions clearly explained to the client stating why recommended and how it solves the problem?
- 1.6 Have taxation considerations of solutions been taken into account?
- 1.7 Have appropriate qualifications, caveats and implications been stated (e.g., taxation, underwriting, legal or generic contract limitations)?
- 1.8 Are the proposed solutions affordable within parameters agreed with the client?
- 1.9 Do the solutions match the client's agreed investment risk attitude (where relevant)?
- 1.10 Is the ownership and method of arranging policies/assets clearly explained (i.e. underwriting process, who takes action to implement this process)?
- 1.11 Have social security benefits been taken into account where applicable?
- 1.12 **M** Do each of the proposed solutions meet the client's agreed objectives as fully as possible?
- 1.13 **M** Are the solutions generally technically accurate?

2: Investments

- 2.1 **M** Have needs and objectives been stated and quantified/qualified?
- 2.2 Have existing portfolio parameters been clearly established and stated (i.e. which assets are to be included/excluded, is the portfolio joint or individual)?
- 2.3 Are realisable capital assets taken into account where necessary?
- 2.4 If a joint portfolio is being recommended, have agreed individual ownership limitations been addressed and stated?
- 2.5 Within the client's existing agreed portfolio, have the assets been analysed by taxation, vehicle (i.e. product type), ownership, underlying assets/fund, income produced and then compared against the desired model portfolio parameters agreed with the client?
- 2.6 Has consideration been given to comparing the client's agreed risk tolerance against the existing portfolio and gaps identified?



		Has consideration been given to: - systematic and non systematic risk (the risk within market or economy);
2.7		<ul style="list-style-type: none"> • absolute risk (the risk of a rise or fall in value); • comparative risk (the risk of a rise or fall compared against inflation or another asset)?
2.8		Has consideration been given to diversification to reduce the risk associated with asset concentration: - within market/sectors within asset types
2.9		Has allowance been made for liquidity (both current requirement and future requirements)?
2.10		Have all assumptions and timescales been identified and explained?
2.11		Are all the assumptions reasoned, reasonable and take account of variations in returns of different asset classes (i.e. out or under performance)?
2.12		Has account been taken of both current and future income requirements?
2.13		Has asset/product ownership been stated and justified?
2.14		Have any relevant implications, limitations or legal/taxation conditions been stated and explained to the client?
2.15	M	Does the recommended portfolio clearly meet the client's agreed objectives and needs as fully as possible?
2.16	M	Are the solutions generally technically accurate?

3: Personal Retirement Planning (including Business Owners)

3.1	M	Have needs and objectives been stated and quantified/qualified?
3.2		Has an analysis been carried out of income and capital required to achieve current or future objectives and needs and the timescale(s) applicable?
3.3		Have existing or anticipated assets or capital been taken into account?
3.4		Has reference been made to specific objectives (e.g. pension funding, long-term care costs) and individual solutions designed and integrated to meet these various objectives?
3.5		Have assumptions been stated and are they reasoned and reasonable?
3.6		Have social security benefits and contributions been taken into account?
3.7		Have taxation considerations been taken into account?
3.8		Are solutions consistent with the client's agreed investment attitude?
3.9		Can the capital or expenditures from income required be afforded based on the client's agreed cashflow/expenditure pattern?
3.10		Have appropriate mortality and morbidity risks been taken into account and quantified?
3.11		Have solutions been recommended to these risks where required?
3.12		Have any relevant implications, limitations or legal/taxation conditions/consequences been stated and explained?
3.13	M	Do the solutions recommended clearly meet the client's agreed needs and objectives as fully as possible?
3.14	M	Are the solutions generally technically accurate?



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4: Estate Planning

- 4.1 **M** Have the client's estate planning needs and objectives been clearly quantified/qualified?
Has consideration been given to the most appropriate method(s) of achieving the client's wishes, e.g.
- Use of wills
 - Use of trusts
 - Use of powers of attorney
 - Use of gifts?
- 4.2
- 4.3 Have taxation considerations been taken into account for both the client and the intended beneficiaries?
- 4.4 Have appropriate/relevant implications or limitations been drawn to the client's attention?
- 4.5 Have any "knock on" effects on other areas of financial planning been drawn to the client's attention and explained (e.g. long term care/depletion of estate value)?
- 4.6 Has the potential need to refer to the client's specialist legal and/or taxation advisers been stated and explained?
- 4.7 Has the most appropriate ownership of assets to achieve the client's objectives been stated and explained?
- 4.8 Is there evidence that the client is recommended to draw up new Wills or amend existing Wills or trusts or will maintain up to date legal documents to achieve the objectives?
- 4.9 **M** Do the recommendations clearly meet the client's agreed objectives and needs as fully as possible?
- 4.10 **M** Are the solutions generally technically accurate?

5: Educational funding

- 5.1 **M** Have needs and objectives been stated and quantified/qualified?
- 5.2 Has an analysis been carried out of income and capital required to achieve current or future objectives and needs and the timescale(s) applicable?
- 5.3 Have existing or anticipated assets or capital been taken into account?
- 5.4 Has reference been made to obstacles of achieving the client's specific objective (e.g. pension funding, long-term care costs) and individual solutions designed and integrated to meet these various objectives?
- 5.5 Have assumptions been stated and are they reasoned and reasonable?
- 5.6 Have social security benefits and contributions been taken into account?
- 5.7 Have taxation considerations been taken into account?
- 5.8 Are solutions consistent with the client's agreed investment attitude?
- 5.9 Can the capital or expenditures from income required be afforded based on the client's agreed cashflow/expenditure pattern?
- 5.10 Have appropriate mortality and morbidity risks been taken into account and quantified?
- 5.11 Have solutions been recommended to these risks where required?
- 5.12 Have any relevant implications, limitations or legal/taxation conditions/consequences been stated and explained?
- 5.13 **M** Do the solutions recommended clearly meet the client's agreed needs and objectives as fully as possible?



5.14 **M** Are the solutions generally technically accurate?

6: Special Needs (e.g. long term care/structured settlements)

- 6.1 **M** Have needs and objectives been stated and quantified/qualified?
Has reference been made to obstacles of achieving the client's specific objective (e.g. pension funding, long-term care costs) and individual solutions designed and integrated to meet these various objectives?
- 6.2
- 6.3 Have existing or anticipated assets or capital been taken into account?
- 6.4 Have assumptions been stated and are they reasoned and reasonable?
- 6.5 Have social security benefits and contributions been taken into account (e.g. attendance allowance)?
- 6.6 Have taxation considerations been taken into account?
- 6.7 Are solutions consistent with the client's agreed investment attitude?
- 6.8 Can the capital or expenditures from income required be afforded based on the client's agreed cashflow/expenditure pattern?
- 6.9 Have appropriate mortality and morbidity risks been taken into account and quantified?
- 6.10 Have solutions been recommended to these risks where required?
- 6.11 Have any relevant implications, limitations or legal/taxation conditions/consequences been stated and explained (e.g. preservation of estate value)?
- 6.12 **M** Do the solutions recommended clearly meet the client's agreed needs and objectives as fully as possible?
- 6.13 **M** Are the solutions generally technically accurate?

7: Taxation and National Insurance

- 7.1 **M** Have needs and objectives been stated and quantified/qualified?
- 7.2 Is there reference to and discussion of each client's taxation position?
- 7.3 Are taxes referred to the only relevant taxes with other taxes not relevant?
Does reference to taxes include (where appropriate): -
- Income taxes (e.g. Corporation Tax/Income Tax)
 - Capital taxes (e.g. CGT/IHT)
- 7.4
- Ad valorem tax/duty (e.g., VAT/Stamp Duty)
 - National Insurance Contributions
 - Local taxation (e.g. Council Tax/Rates)
- 7.5 Is there sufficient detail to compute/has computation been done to produce an approximated tax liability for each relevant tax?
- 7.6 Is taxation comment generally technically accurate?
- 7.7 Does it clearly identify the highest marginal rate(s) of taxation applicable to each year covered by the plan?
- 7.8 Have all relevant allowances, exemptions, reliefs or other allowable deductions been identified and taken into account?
- 7.9 Have any relevant implications (e.g. Age Allowance reduction) been identified and



		discussed?
7.10		Have tax efficient investments and/or other tax mitigation actions been drawn to the client's attention (possibly in other sections of the report providing the client's attention is drawn to the appropriate section)?
7.11		Is reference made to an appropriate specialist adviser, if needed, with a clear explanation given as to why this is required?
7.12	M	Do the recommendations clearly meet the client's agreed objectives and needs as fully as possible?
7.13	M	Are the solutions generally technically accurate?

8: Debt Management

8.1	M	Has the client's problem/requirement been clearly defined, agreed and stated?
8.2		Have any crisis points/timescales been identified, agreed and stated?
8.3		Have the client's assets and liabilities been quantified, qualified and analysed?
8.4		Has the client's income and expenditure been quantified, qualified and analysed?
8.5		Has the debt servicing ability and history been analysed and assessed?
8.6		Have relevant legal, taxation and cost constraints been taken into account?
8.7		Where relevant, has the client been advised of other/specialist sources of advice?
8.8		Has re-negotiation or refinancing of debt on improved terms been considered?
8.9		Have appropriate mortality and morbidity risks been analysed and commented upon?
8.10		Have appropriate and technically accurate recommendations been made including relevant legal, taxation and ownership implications?
8.11	M	Are recommendations clearly stated, justified and do they meet the client's objectives/needs as fully as possible?
8.12	M	Are the solutions generally technically accurate?

9: Business Succession Planning

9.1	M	Have the client's succession planning options and objectives been clearly and accurately stated?
9.2		Has the need to refer to business legal documents been considered, stated and explained, e.g., Partnership Agreement or Company Memorandum and Articles of Association? Has consideration been given to the most appropriate method(s) of achieving the client's wishes, e.g.
9.3		<ul style="list-style-type: none"> • Use of wills • Use of trusts • Use of powers of attorney • Use of gifts • Share purchase agreements
9.4		Has funding of share purchase been considered (where relevant)?
9.5		Have taxation considerations been taken into account for both the client and the intended beneficiaries/purchaser?
9.6		Are timescales of succession planning objectives discussed (e.g. lack of trained child to take



		over the business)?
9.7		Have appropriate/relevant implications or limitations been drawn to the client's attention?
9.8		Has business valuation been explored and the implications, complexities and potential solutions explained?
9.9		Have any "knock on" effects on other areas of financial planning been drawn to the client's attention and explained?
9.10		Has the potential need to refer to the client's specialist legal and/or taxation advisers been stated and explained?
9.11	M	Are solutions recommended generally technically accurate?
9.12	M	Do the solutions recommended clearly meet the client's agreed needs and objectives as fully as possible?

10: Acquisition or Disposal of a Business

10.1	M	Have needs and objectives been stated and quantified/qualified and agreed where appropriate?
10.2		Has the client been advised to consult with other relevant advisers (legal, tax, pension, etc.)?
10.3		Has the acquisition or disposal method been discussed, implications stated and a recommendation stated?
10.4		Have all assumptions and timescales been identified and explained (i.e. when considering disposing or buying a business)?
10.5		Has the client been appraised of the need for various guarantees/undertakings/warranties and confidentiality?
10.6		Where relevant, has the client been advised of the need for a business plan, cash flow forecast, operating budget and profit growth forecast?
10.7		Have the client's assets been analysed and assessed regarding financing an acquisition or proceeds of a disposal?
10.8		Have the relevant legal structures been discussed and agreed?
10.9		Have the relevant legal/taxation constraints been discussed/agreed (e.g. employment law/social security law/company law)?
10.10		Have the employee relations implications been considered?
10.11		Have relevant tax mitigation options been identified, discussed and agreed/recommended?
10.12		Have the relevant options for financing (sale or purchase), consideration (sale price/value) and payment (timing and amounts) been identified, considered and agreement reached/recommendation made (where appropriate)?
10.13	M	Do the solutions recommended clearly meet the client's needs and objectives as fully as possible?
10.14	M	Are the solutions recommended generally technically accurate?

11: Business Risk Management/Insurance

11.1	M	Have needs and objectives been stated and quantified/qualified?
11.2		Have existing risk management strategies or insurance policies been analysed and taken into account (including social security or pensions)?
11.3		Have the solutions been explained, e.g. in terms of providing:



		<ul style="list-style-type: none"> • a capital sum to repay debt; • a capital sum for a specific purpose; • a replacement regular income stream by insurance?
11.4		Are the solutions clearly explained to the client stating why recommended and how it solves the problem?
11.5		Have appropriate qualifications, caveats and implications been stated (e.g. taxation, underwriting, legal or generic contract limitations)?
11.6		Are the proposed solutions affordable within parameters agreed with the client?
11.7		Does each of the proposed solutions meet the client's agreed objectives as fully as possible?
11.8		Do the solutions match the client's agreed investment risk attitude (where relevant)?
11.9		Is ownership of policies/assets and method of holding (e.g. trusts, etc.) clearly explained?
11.10	M	Does the recommended portfolio/ recommendations clearly meet the client's agreed objectives and needs?
11.11	M	Are the solutions generally technically accurate?

12: Employee Benefits

12.1	M	Have benefit design options been considered agreed and stated, quantified/qualified?
12.2		Has the population/populations to be included been clearly identified and qualified?
12.3		Has an analysis been carried out of income and capital required to achieve current or future objectives, needs or goals and the timescale(s) applicable?
12.4		Have existing or anticipated assets or capital been taken into account?
12.5		Has reference been made to specific objectives (e.g. pension funding, sick pay scheme) and individual solutions designed and integrated to meet these various objectives?
12.6		Have assumptions been stated and are they reasoned and reasonable?
12.7		Have employee relations been considered (where appropriate)?
12.8		Have social security benefits and contributions been taken into account?
12.9		Have legal requirements been taken into account (e.g. member nominated trustees or similar)?
12.10		Have taxation considerations been taken into account for employer/employee/trustees?
12.11		Are solutions consistent with the client's agreed investment attitude?
12.12		Can the capital or expenditures from income required be afforded based on the client's agreed cash flow/expenditure pattern?
12.13		Have appropriate mortality and morbidity risks been taken into account and quantified/qualified?
12.14		Have solutions been recommended to these risks where required?
12.15		Have any relevant implications, limitations or legal/taxation conditions/consequences been stated and explained?
12.16	M	Do the recommended portfolio/ recommendations clearly meet the client's agreed objectives and needs as fully as possible?
12.17	M	Are the solutions generally technically accurate?



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4. CFP^{CM} Certification Knowledge Syllabus

CFP Certification candidates must provide evidence that they have met the knowledge and understanding requirements set out in the Knowledge Syllabus (below). At least three years' relevant financial planning experience must be demonstrated in addition to the knowledge requirement.

Financial Planning is a multi-disciplinary profession. Therefore any professional qualification relevant to personal and/or business Financial Planning will normally be considered as evidence of meeting all or part of the CFP Certification Knowledge Syllabus requirements. However, the following qualifications are deemed sufficient (**as long as specific examination subjects are passed*), to meet the knowledge requirements in conjunction with the CFP Certification: -

To be eligible to embark on the process of becoming a CFP practitioner there are three compulsory criteria which must be met:

- [A minimum of three years' experience of financial services](#)
- [An FSSC Appropriate Examination for Advising on Packaged Products](#)
- [An examination pass in each of the following areas:](#)

Taxation
Financial Planning
Advanced Technical Area

For further details, please see the IFP website:

http://www.financialplanning.org.uk/planners/cfp_entry_requirements.cfm

4.1 The Financial Planning Process

4.1.1 - Candidates should *know, understand* and be able to *apply* the Financial Planning process and how it differs from the financial advisory process.

The Financial Planning process: -

- gathering data
- establishing client objectives
- processing and analysing information
- recommending a comprehensive plan
- implementation of the plan
- reviewing the plan

The financial advisory process: -

- gathering data
- establishing client objectives
- processing and analysing information



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- recommending a solution
- implementing the solution

4.1.2 - Candidates should **know, understand** and be able to **apply**: -

- the skills required to gather and record data
- the skills required to agree and record client needs, objectives and priorities
- the difference between objectives, goals and needs
- the need for good written, verbal and non verbal communication
- the need to quantify and qualify data
- the need to establish attitudinal data, especially regarding investment, morbidity and mortality risks
- the need to link risk attitude to time and purpose

4.1.3 - Candidates should **know and understand** the importance of and be able to **apply**: -

- experience
- legal knowledge
- taxation knowledge
- product knowledge
- professional contacts
- interpersonal skills
- to synthesise a solution to meet a client's agreed needs, priorities and aspirations as fully as possible

4.1.4 - Candidates should **know, understand** and be able to **apply** the Financial Planning process to different types of client:-

- individuals
- sole traders/partnerships
- companies and other corporate bodies
- trust funds and other collective entities

4.2 Personal Financial Planning

4.2.2 - Candidates should **know, understand**, and be able to **apply** the following to the level of **performing relatively straightforward computations** based on given data:-

Income Tax

- residence and domicile status
- schedules
- rates
- reliefs
- allowances
- payment dates



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- taxable income types
- non taxable income types
- benefits in kind
- earned and unearned income
- taxation deducted at source
- tax credits

National Insurance

- contracted in liability for employer and employee
- contracted out liability for employer and employee
- self-employed liability
- benefits in kind
- voluntary contributions

Capital Gains Tax (CGT)

- residence and domicile status
- gains and losses
- indexation
- reliefs and allowances
- exemptions
- basis of charge and assessment
- payment dates

Inheritance Tax (IHT)

- residence and domicile status
- basis of charge
- chargeable lifetime gifts
- potentially exempt transfers
- reliefs and allowances
- exemptions
- the Nil Rate Band
- non-chargeable lifetime gift

4.2.2 - Candidates should be able to **demonstrate** an **awareness** and **application** of the **taxation aspects of the following**: -

- social security benefits entitlement for the self-employed and employees
- rules for pension provision for the employed and employees
- taxation of pension benefits and social security benefits
- taxation of other employee benefits, e.g. Profit Related Pay, Share Option Schemes, Profit Sharing Schemes and Cafeteria Benefits /Benefits in Kind
- types of house purchase borrowing and repayment vehicles
- marriage, separation, divorce and maintenance
- bring up children
- retirement and Age Allowance



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4.2.3 - Candidates should be able to demonstrate knowledge, understanding and application of the taxation of the following types of investments in Financial Planning: -

Onshore

- deposit based investments
- government bonds (gilts) Local Authority bonds
- equities including Investment Trusts
- National Savings
- Corporate Bonds
- insurance policies/funds
- unit trusts/open ended investment companies (OEICS)
- Individual Savings Accounts (ISAs)
- Permanent Interest Bearing Shares (PIBS)
- Venture Capital Trusts
- Enterprise Investment Schemes
- Property (including room lettings)
- Lloyds membership
- forestry/woodlands
- employee share schemes
- private company investment
- commodities
- derivatives

Offshore

- roll-up funds
- distributor and non distributor funds
- currency funds
- offshore insurance, OEIC and UCIT funds

4.2.4 - Candidates should **know, understand** and be able to **apply** the following **legal aspects of trusts**:-

- definition
- certainties
- relationship between trustee and beneficiary
- rights and duties of trustees
- the function of the trust deed
- creation of a trust
- statutory and non statutory trusts
- the provisions of the Married Women's Property Act 1882
- the provisions of the Trustee Act 1925
- the Law of Property Act 1925



- types of trust; base, discretionary, power of appointment, life interest
- accumulation and maintenance, express, implied, constructive, overseas/offshore

4.2.5 - Candidates should *know, understand* and be able to *apply* the following *investment aspects of trusts*: -

- the provision of the Trustee Investment Act 1961
- the powers contained within the trust deed
- the ownership of assets
- apportionment of capital and income
- duty of conversion
- the obligation to seek investment advice

4.2.6 - Candidates should *know, understand* and be able to apply the following aspects of *taxation aspects of trusts*: -

- the application of Income Tax to trustees and beneficiaries
- the application of Capital Gains Tax to settlors, trustees and beneficiaries
- the application of Inheritance Tax to settlors, trustees and beneficiaries
- calculate simple examples of tax liabilities for each of the above, based on given data
- the ability of trusts to register for VAT
- the need for trust accounts and tax returns

4.2.7 - Candidates should *know, understand* and be able to *apply* the following aspects of *Wills and intestacy*: -

- conditions for a valid Will
- Intestacy rules
- post death deed of variation
- Will trusts
- rights to disclaim
- joint tenancy and tenancy in common
- provisions of the Administration of Estates Act 1925.

4.2.8 - Candidates should *know, understand* and be able to *apply* the uses of trusts for *tax mitigation and wider Financial Planning including*: -

- certainty of intention
- avoidance or deferral of taxation
- uses in family protection
- uses in business protection
- uses in investment strategy
- uses in family or business succession planning
- uses in pension planning



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4.2.9 - Candidates should *know, understand* and be able to *apply* the *use of trusts in establishing and administering*: -

- personal pension schemes
- occupational pension schemes
- unit trusts
- charitable trusts and educational trusts
- taxation implications of each of the above

4.2.10 - Candidates should *know, understand* and be able to *apply* the *importance and use of compound interest* in determining: -

- the relative value of one sum to another, over time
- the accumulation of money, over time
- the depreciation of money, over time

4.2.11 - Candidates should *know, understand* and be able to *apply* the following aspects of *investment risk*: -

- absolute risk
- relative risk
- relative risk over time (e.g., inflation)
- risk in relation to objective
- client focused risk attitudes
- the probability of clients having different risk attitudes related to different objectives
- risk and return (capital and interest)

4.2.12 - Candidates should *know, understand* and be able to *apply* the following aspects of *morbidity and mortality risk*: -

- application to life and health insurances
- underwriting
- lifestyle
- occupation
- the nature of the risk that can be covered and managed
- the importance of the client's attitude

4.2.13 - Candidates should *know, understand* and be able to *apply* the following aspects of *investment portfolio construction*: -

- the principles of meeting clients' needs in portfolio construction
- the principles of balance concentration and diversification



- the relevance of time, liquidity and taxation in selecting investment vehicles
- common investment terminology and market practices

4.2.14 - Candidates should be able to **demonstrate** and **apply** a detailed knowledge of **UK and overseas investment vehicles in portfolio construction**:

- deposit based investments
- bonds and other fixed interest securities (government and corporate)
- packaged investment products (insurance and friendly society policies)
- collective investment vehicles (OIECS, investment trusts and unit trusts)
- equities (quoted and unquoted)
- physical commodities (including futures)
- derivatives (futures and options)
- special tax incentives schemes (enterprise investment schemes and venture capital trusts, enterprise zones etc.)
- property (commercial, residential and holiday)
- Lloyds insurance market membership
- collectibles (antiques, works of art, etc.)
- principal retirement planning vehicles (personal and employer sponsored pension funds or similar)

4.2.15 - Candidates **should know, understand** and be **able to apply** the principles of: -

- benchmarking of performance objectives
- performance measurement

4.2.16 - Candidates should be able to **demonstrate** the need for **monitoring and review of portfolio** against client's evolving needs, objectives and priorities.

4.3 Retirement Planning for Individuals and Businesses

4.3.1 - Candidates should **know, understand** and be **able to apply**: -

- the legal framework of pension provision for individuals and employees
- the relationship between private and state pension provision
- the taxation framework of pension provision for individuals and employees
- the principles of carry back and carry forward of unused personal pension relief
- understand the relationship between: -
 - retirement annuity policies;
 - personal pension policies;
 - occupational pension schemes.

4.3.2 - Candidates should **know, understand** and be able **to apply** the use of **pensions** to sole traders, partners and those in non-pensionable employment.



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4.3.3 - Candidates should **know, understand** and be **able to apply**: -

- the legal framework for occupational pensions
- the taxation framework for occupational pensions
- the basis of approval and exempt approval
- funding methods and limits; and
- investment principles as applied to pension funds.

4.3.4 - Candidates should be **aware** of the relationship between UK State and private pension provision and overseas state and private pension provision.

4.3.5 - Candidates should **know, understand** and **be able to apply** in relation to occupational pension schemes: -

- constraints on contribution
- the options available to early leavers
- the options on retirement (normal, early and late)
- the benefit limits on retirement (normal, early and late)
- the benefit limits on death in service

4.3.6 - Candidates should have a **working knowledge** of and be **generally able to apply**: -

- the method of transfer and restrictions on transfers between occupational schemes, personal pensions and retirement annuities
- the principles of transfer value analysis
- regulatory requirements concerning assumptions, transfers, opt outs and non-joiners from occupational schemes
- the implications of the Pension Act 1995
- the implications for pension provision of divorce
- the benefit limits and operation of public or former public sector Superannuation Schemes (e.g., Civil Service)
- the implications for pension provision of business insolvency, sale or acquisition

4.3.7 - Candidates should **know, understand** and be able to **apply** the eligibility, benefits, funding, contributions, and investment rules relating to: -

- executive pension plans
- small self administered schemes
- contracted out/in money purchase schemes
- contracted out/in final salary schemes
- Hybrid schemes (money purchase or final salary underpin)



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- Main scheme and free standing additional voluntary contributions
- funded and unfunded unapproved retirement benefit schemes
- personal pension and retirement annuity
- self invested personal pension
- income drawdown and phased retirement

4.3.8 - Candidates should *know, understand* and be able *to apply* the use of products and the legal and taxation framework to meet a client's retirement planning requirements.

4.4 Financial Planning for the Business Owner

4.4.1 - Candidates should *know, understand* and be *able to apply* the *legal framework* for *businesses*: -

- sole trader
- partnership
- limited partnership
- co-operative
- unincorporated association
- companies (private limited, limited by guarantee and public limited)
- the role of the memorandum and articles or partnership deed
- the rights and duties of directors/partners and shareholders
- the accounting requirements of sole traders, partnerships and limited companies
- the formation requirements of each type of business entity

4.4.2 - Candidates should *know, understand* and be *able to apply* the *taxation framework* for *businesses*:

- National Insurance
- VAT
- Income Tax
- Corporation Tax
- Capital Gains Tax

4.4.3 - Candidates should *know and understand* the *legal* and *financial implications* of *bankruptcy* and *insolvency*.

4.4.4 - Candidates should be able to *interpret* business accounts including: -

- balance sheet
- profit and loss account
- cash flow forecast
- operating budget



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4.4.5 - Candidates should *know, understand* and be able to *apply*: -

- the principal methods of raising finance
- the legal, taxation and financing issues relating to a business sale or purchase

4.4.6 - Candidates should *know, understand* and be able to *apply* the *key legal/taxation principles* and *products to business risk protection* including: -

- key person insurance
- share protection insurance
- loan protection
- partnership protection
- use of trusts
- taxation
- the need for commercial insurance

4.4.7 - Candidates should know, understand and be able to apply the key legal/taxation principles and products to business succession planning.

4.4.8 - Candidates should be generally aware of the legal and taxation implications of employing people including: -

- employee rights
- anti-discrimination legislation
- employer duties

4.4.9 - Candidates should know, understand and be able to apply to key taxation/legal principles and products to employee benefits and remuneration planning including: -

- remuneration planning
- pension scheme design
- benefits in kind
- medical/dental plans
- maternity/paternity schemes
- share option and profit related pay schemes
- cafeteria benefit plans



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