

B. FINANCIAL PLANNING AND APPLICATION OF THE PRACTICE STANDARDS FOR THE FINANCIAL PLANNING PROCESS, 6. NO CLIENT AGREEMENT TO ENGAGE FOR FINANCIAL PLANNING:

1: DUTIES WHEN A CLIENT DOES NOT AGREE TO ENGAGE FOR FINANCIAL PLANNING

Susan is dissatisfied with her investment manager's performance and costs and wants to work with a CFP® professional. She is referred to Blaine. After meeting with Susan and reviewing the information she provided, Blaine determines that Susan needs investment management and retirement planning. Financial Advice in these areas would affect almost all of Susan's Financial Assets. To provide Susan with investment management and retirement planning, Blaine also determines that he would need to perform cash flow and budgeting, estate planning, and insurance planning to act in Susan's best interests. Under those circumstances, Blaine would be agreeing to provide Financial Advice that Requires Financial Planning, and thus would be required to comply with the Practice Standards for the Financial Planning Process. However, Susan tells Blaine that she does not want to engage Blaine to provide Financial Planning. Blaine determines that if he were to limit the Scope of the Engagement to investment management, he would not be required to provide Financial Planning.

QUESTION:

Which is the best course of action?

RESPONSE OPTIONS:

- A. Blaine must do what Susan wants and provide investment management and retirement planning.
- B. Blaine may Limit the Scope of the Engagement to investment management and inform Susan that he will not be performing retirement planning.
- C. Blaine may provide investment management and retirement planning after making Susan sign a waiver indicating that Susan does not want Financial Planning.
- D. Blaine must comply with the Practice Standards and provide Susan with Financial Planning.

Best Response: B is the best response. This case involves the Application of the Practice Standards (Standard B.) and No Client Agreement to Engage in Financial Planning (Standard B.6).

The Practice Standards set forth the Financial Planning Process. A CFP® professional must comply with the Practice Standards (1) when the CFP® professional agrees to provide or provides (a) Financial Planning, or (b) Financial Advice that requires integration of relevant elements of the Client's personal and/ or financial circumstances in order to act in the Client's best interests ("Financial Advice that Requires Financial Planning"), or (2) the Client has a reasonable basis to believe the CFP® professional will provide or has provided Financial Planning.

The *Code and Standards* recognizes that a Client has the right to choose which services to receive from a CFP® professional. If a Client does not agree to engage the CFP® professional to provide Financial Planning, a CFP® professional must either: (1) Not enter into the Engagement; (2) Limit the Scope of the Engagement to services that do not require application of the Practice Standards, and describe to the Client the services the Client requests that the CFP® professional will not be performing; (3) Provide the requested services after informing the Client how Financial Planning would benefit the Client and how the decision not to engage the CFP® professional to provide Financial Planning may limit the CFP® professional's Financial Advice, in which case the CFP® professional is not required to comply with the Practice Standards; or (4) Terminate the Engagement (if applicable).

In this case Blaine has determined that Susan had requested Financial Advice that Requires Financial Planning, but Susan does not want to engage Blaine for Financial Planning. Therefore, there are four options available to Blaine. One of those options is to limit the Scope of the Engagement to services that do not require application of the Practice Standards and describe to the Client the services the Client requests that the CFP® professional will not be performing. Therefore, Blaine may Limit the Scope of the Engagement to investment management and inform Susan that he will not be performing retirement planning.

A and C are not the best responses because they do not describe Blaine's duty in this circumstance. While Blaine may provide the requested services without complying with the Practice Standards, he may do so only after informing Susan how Financial Planning would benefit Susan and how Susan's decision not to engage Blaine to provide Financial Planning may limit Blaine's Financial Advice. C also is not the best response because Blaine is not required to obtain a signed waiver from Susan.

D is not the best response because Blaine is not required to provide services for which Susan does not want to engage Blaine.

Relevant Standard: Standard B.6 (No Client Agreement to Engage in Financial Planning)