

PFP Power Hour: *Understanding and Applying the New PFP Standards*

Presented by:

Dirk Edwards, CPA/PFS, JD, MBA



Introduction



Dirk Edwards, CPA/PFS, JD, MBA

Edwards Consulting, LLC

Chair, Responsibilities in PFP Services Task Force

Chair, PFP Services Standards Advisory Task Force

Past chair, PFP Executive Committee

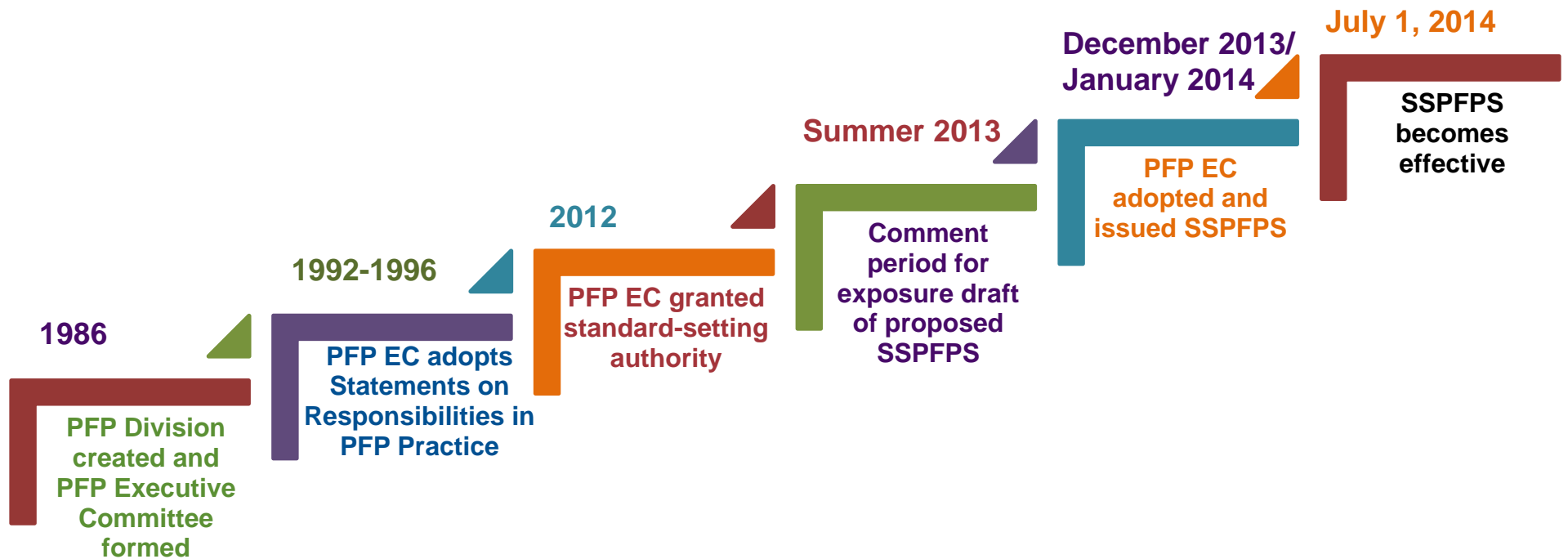
Past member, National Accreditation Commission (NAC)

Journal of Accountancy Past Editorial Adviser

Agenda

- **The Pathway to Standards in PFP**
- **Applicability: Covered Services and Persons**
- **Statement on Standards in PFP Services**
- **Leveraging SSPFPS to Elevate Your Practice**
- **The Standards in PFP Services: Compliance Toolkit**
 - aicpa.org/pfp/standards
 - Or from aicpa.org, click on:
 - Interest areas | Personal financial planning
 - Resources
 - Professional Responsibilities
 - Statement on Standards in PFP Services

Pathway to Standards



Why You Should Care

- To better define the parameters of your professional responsibilities in PFP
- To use as a framework for effective delivery of PFP services
- To protect your clients' interests
- To ensure you have met your professional responsibilities
- To formalize and grow your PFP practice

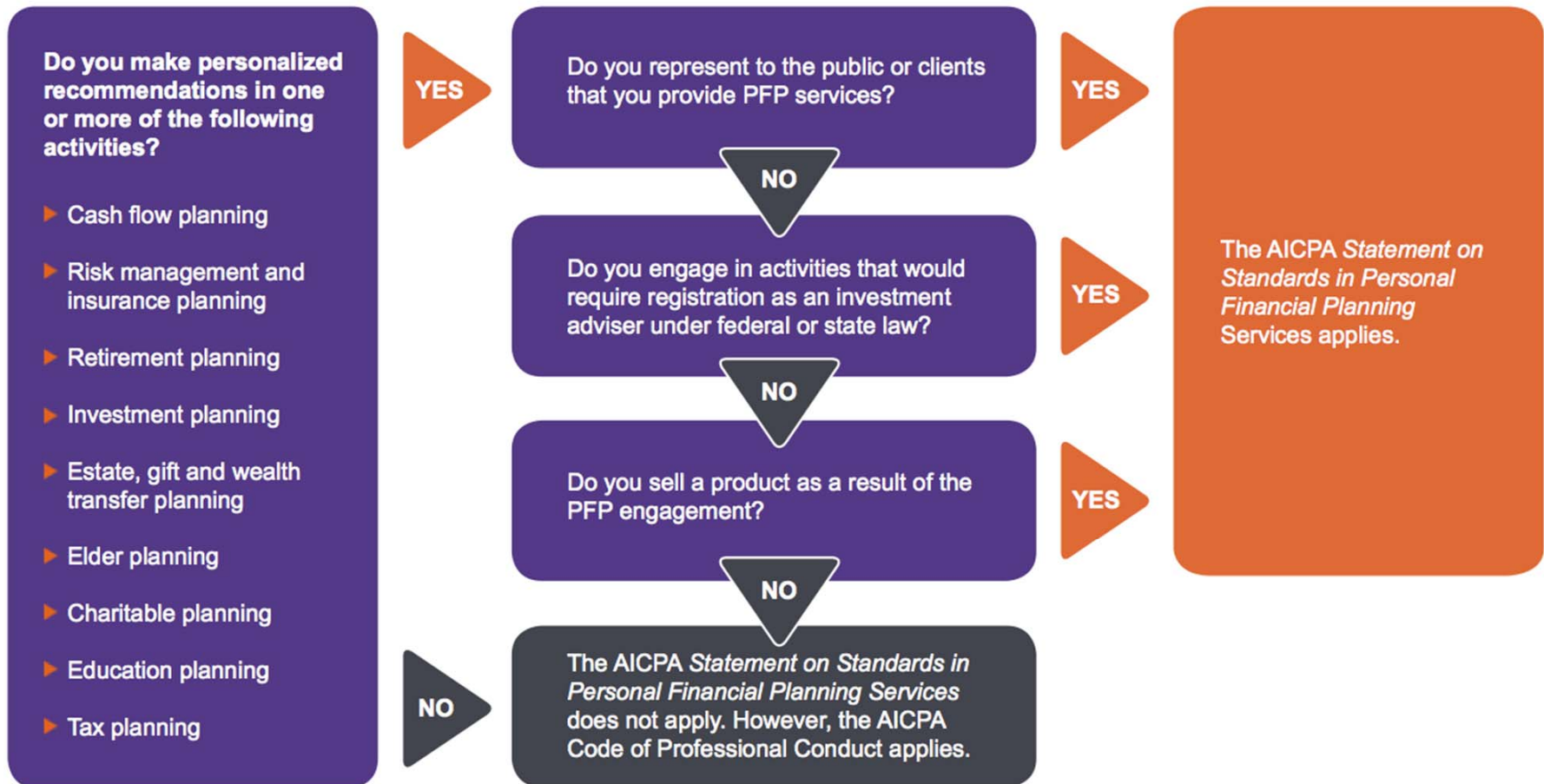


The Objective of SSPFPS is to...

- Provide authoritative guidance
- Establish enforceable standards to assist members in fulfilling their professional responsibility



When Does the AICPA Statement on Standards in Personal Financial Planning Services Apply to a Member?



PFP Services

- PFP is the process of **identifying personal financial goals and resources, designing financial strategies, and *making personalized recommendations*** (whether written or oral) that, when implemented, assist the client in achieving these goals. This process may include implementation of recommendations or monitoring or updating the engagement. PFP services encompass one or more of the following activities:

- Cash flow planning
- Risk management/insurance planning
- Retirement planning
- Investment planning
- Estate/gift/wealth transfer planning
- Elder planning
- Charitable planning
- Education planning
- Tax planning

SSPFPS

Does

Establish a process to maintain an ethical and competent PFP services practice.

Does not

Instruct a member on how to undertake a personal financial plan.

Overview of the Requirements

- **General professional responsibilities and specific responsibilities for PFP engagements**
- **Planning the engagement**
- **Obtaining and analyzing information**
- **Developing and communicating recommendations**
- **Implementation, monitoring and updating engagements**
- **Working with and using the advice of other service providers**

The Key Elements of SSPFPS

- Documentation of the PFP engagement
- Communication with the client
- Disclosures
- Use of professional judgment

Preparing for the PFP Engagement

- Determine whether SSPFPS applies to the specific engagement (par. 4-5).
- Determine competency to provide the PFP services (par. 19).
- Understand and comply with the requirements of SSPFPS (par. 13-15).
- Determine which PFP services will be provided, including whether implementation, monitoring, or updating services will be provided.
- Determine whether conflicts of interest exist and make appropriate disclosures with respect to this and compensation arrangements (par. 20, 22-23).
- Determine whether federal, state, and other laws and regulations apply to the engagement (par. 21).

(The Pre-Engagement Checklist is available as part of the Compliance Toolkit.)

Documenting the PFP Engagement

■ Engagement letter (par. 4)

- Scope limitations and updates throughout engagement (par. 24-27)

■ Disclosures of conflicts of interest (par. 20)

■ Disclosure of compensation and any alternatives (par. 22-23)

■ Documents obtained from the client (par. 28)

- Cash flow planning
- Risk management and insurance planning
- Retirement planning
- Investment planning
- Estate, gift, and wealth transfer planning
- Elder planning
- Charitable planning
- Education planning
- Tax planning

Documenting the PFP Engagement

- Summary of client's goals (par. 35)
- Significant assumptions and estimates made in connection with the engagement (par. 35)
- Analyses and procedures performed in connection with the engagement (par. 33)
- Recommendations communicated to the client (par. 33)
- Evaluation of advice of other service provider(s) and communication of non-concurrence to client (par. 47)
- Limitations of work to be performed or actually performed by the member on behalf of the client (par. 29)
- Qualifications to the recommendations made if the effects of certain planning areas on the client's overall financial picture were not considered (par. 35)
- Other communications to the client

Engagement Letters (par. 24)

- Engagement objectives
- Scope of services to be provided
- Roles and responsibilities of the member, client, and other service providers
- Timing of the engagement
- Scope limitations and other constraints
- Conflicts of interest
- Responsibility, or lack thereof, for helping the client implement planning decisions
- Responsibility, or lack thereof, for monitoring the client's progress in achieving goals
- Responsibility, or lack thereof, for updating the plan and proposing new action

Professional Responsibilities in PFP

- Ensures client receives information to make sound financial decisions
- Ensures member is meeting standards of behavior expected of a trusted advisor in the delivery of PFP services
- Sets forth a clear path for the member to deliver the level of PFP services that clients need in today's dynamic environment

Effective Delivery of PFP Services

■ Compliance toolkit assists in application of SSPFPS

- Checklists
 - Pre-engagement
 - Post-engagement
 - Documentation
- Engagement letters
 - General/comprehensive
 - Implementation
 - Monitoring and updating
- FAQs

Protecting Your Clients' Interests

■ AICPA's Code of Professional Conduct

- Professional responsibilities
- Serving the public interest
- Integrity
- Objectivity and independence
- Due care

■ Earn trust and respect of clients

■ Fiduciary responsibility

- Member holds out as expert in an aspect of business
- Client places high degree of trust and confidence in member
- Client is heavily dependent on member's advice

■ Courts will likely hold members to fiduciary standard of conduct when performing PFP services.

Ensuring Professional Responsibilities are Met

- Federal and state monitoring and regulation of financial activities
- Steps to protect your practice while advancing clients' interests
- Clear documentation communicated to and acknowledged by both parties is essential

Formalize and Grow Your PFP Practice

- Market yourself as someone who adheres to SSPFPS and the Code of Professional Conduct and that they are integral to your practice.
- SSPFPS provides an opportunity to formalize ad hoc PFP-related services to add or increase revenue streams.

Why now?

32% growth in
need for
advisers*

PFP projected to
grow 2x faster
than accounting
profession**

Tax complexities
that CPAs
understand

10k baby
boomers per
day turning age
65 for the next
17 years and
need guidance^

*U.S. Bureau of Labor Statistics

**IBISWorld 2012 and Deloitte

^Pew Research Center 2010

Resources & Where to Find More Information

■ Standards in PFP Services: Compliance Toolkit*

- Checklists
- Engagement letter templates
- Whitepapers
- Frequently Asked Questions
- and more!

■ aicpa.org/pfp/standards

■ Please direct inquiries to the PFP Division staff at financialplanning@aicpa.org.

*Free for PFP/PFS members; for sale to AICPA members and non-members on www.CPA2Biz.com (PFP1304M).

Upcoming Webcasts & Conferences

■ Save the dates for in-depth webcasts* on SSPFPS:

- *Practical Applications: Using the Compliance Toolkit* (Rebroadcast on May 14, 1-2p.m. ET)
- *Leveraging SSPFPS to Elevate Your Practice* (Rebroadcast on May 21, 1-2p.m. ET)
- Registration information available at www.aicpa.org/pfp under CPE & Events.
- *Archives for PFP/PFS members will be available for above events as well as *Understanding and Applying SSPFPS* and *Understanding the Requirements of SSPFPS* (Part 1 and 2 of series) at aicpa.org/pfp/webseminars.

■ Upcoming conferences where SSPFPS is on the agenda

- [AICPA Conference on Tax Strategies for the High-Income Individual](#)** May 19-20 at the Aria, Las Vegas
- [AICPA Practitioners Symposium and Tech+ Conference](#)** June 9-11 at the Aria, Las Vegas
- [AICPA Advanced Estate Planning Conference](#)** July 21-23 at Swisshotel, Chicago
- [AICPA Sophisticated Tax Planning for Your Wealthy Clients](#)** November (Date/Location TBD)
- Various CPA associations and state societies

**PFP/PFS and Tax Section members receive additional discounts on the early-bird and AICPA member price.

Opportunities to Take Advantage of Your PFP/PFS Membership

■ Visit New Resources Page.

- aicpa.org/pfp/resources

■ Tour the Planning after ATRA and NIIT Toolkit.

- aicpa.org/pfp/proactiveplanning

■ Sign up for PFP Bootcamp in May (live or virtual).

- aicpa.org/pfp/bootcamp

■ Attend live webcasts & watch recordings of ones you've missed.

- aicpa.org/pfp/webseminars

■ Catch up on the latest news & leg/reg developments.

- aicpa.org/pfp/2014
- aicpa.org/pfp/advocacy

Questions

Please direct further inquiries to the PFP
Division staff at financialplanning@aicpa.org.