Content Specification
Outline for the
Personal Financial Specialist Exam

Updated January 2012

Go to www.aicpa.org/PFSexam for the most recently updated copy of this outline.

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Personal Financial Specialist (PFS) Exam Content Specification Outline

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Questions?
Web: aicpa.org/pfp/pfs
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Email: mailto:pfs@aicpa.org
Strategies for Success on the PFS Credential Examination

Structure of the Exam

- 160 multiple-choice questions administered over a five and one quarter hour period, including time for a forty five minute break.
- Average of 1.7 minutes per question.
- Questions will test higher level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Types of questions will include approximately 50% standalone multiple choice questions, 25% item sets (client data followed by 3 to 5 multiple choice questions over different topic areas), and 25% case studies (practical comprehensive situation followed by 11 to 18 multiple choice questions over different topical areas).
- The PFS exam is a comprehensive exam format, with random topic sequencing of questions.
- The PFS exam must be passed all at once; there are no serial components.

Preparation Strategies

- An examinee should anticipate significant pre-exam preparation time in the range of 200 hours depending upon previous practice and academic knowledge.
- Spread your preparation over several months. For example, there is a suggested 12-week and accelerated 8-week self-study plan included in the PFS Exam Review Course.
- Experience in financial planning is anticipated to benefit the examinee.
- Test-taking skills are also beneficial.
- Know your financial calculator; time value factor tables will not be provided in the exam.
- Don't study what you already know; focus on what you are less familiar with.
- Expertise in one area of the exam will not result in passing the examination.
- Be well-rested before the examination.
- Bring your financial calculator to the exam.
- No programmable calculators are allowed. A list of acceptable financial calculators is located at www.aicpa.org/pfsexam.

During the Exam

- Read questions carefully. Questions will not be written to be “tricky,” but all wording and information in each question will be important.
- Questions may appear to have more than one right answer to the under-prepared test-taker, but one answer will be the best recommendation.
- Don’t “sit and think” about one question too long, move on to the ones you know and come back to the others at a later time. You will earn points for correct answers, and will not lose points for incorrect answers.
- For more test-taking tips, please visit the following website: www.testtakingtips.com/
PFS Exam Content Specification Outline - High Level Outline

Professional Responsibilities (12%)
A. Professional Standards – AICPA
B. Role of the CPA/PFS as Trusted Personal Advisor
C. Regulatory
D. Fiduciary Practices
E. Financial Services Regulations and Requirements

Personal Financial Planning Process (8%)
A. Elements of the Overall Planning Process
B. Behavioral and Psychological Methods of Understanding the Client and Gaining Rapport
C. Establishment of Financial Objectives and Identification of Constraints
D. Life-Planning and Life-Cycle Issues
E. Professional Liability and Compliance
F. Engagement Letters

Fundamentals of Financial Planning (6%)
A. Assumptions
B. Time Value of Money
C. Personal Financial Statements
D. Cash Management Strategies
E. Financing Asset Acquisitions
F. The Economic Environment
G. Consumer Protection Issues
H. Basic Business Law Related to the Client-Planner Relationship

Income Tax Planning (12%)
A. Integrating Tax Planning into Financial Decisions
B. Personal Fundamental Tax Rules
C. Tax Compliance
D. Business Entity and Trust Characteristics and Income Tax Issues
E. Income Splitting
F. Charitable Contributions
G. Tax Consequences and Requirements of Like-Kind Exchanges
H. Passive Activity and At-risk Rules
I. Taxation of Property Transactions
J. Income and Deduction Timing and Limitations
K. Divorce Considerations
L. Managing Tax Liability
M. Income in Respect of the Decedent Property

Insurance Planning (10%)
A. The Risk Management Process
B. Needs Analysis
C. Legal Elements of Insurance Contracts
D. Life Insurance Types and Applications
E. Annuities
F. Disability Insurance
G. Property and Casualty Insurance
H. Medical Expense Insurance
I. Long-term Care Insurance

Investment Planning (12%)
A. Investment as a Process
B. The Planning Phase
C. The Execution Phase
D. The Feedback Phase

Financial Independence (Retirement Planning) (12%)
A. Financial Independence Planning Process
B. Government Retirement Programs
C. Employer-Sponsored Retirement Plans
D. Individual Retirement Savings Vehicles
E. Tax Considerations of Plan Contributions
F. Distribution Taxation Rules
G. Retirement Income Management

Employee Benefits (6%)
A. Equity Compensation Plans
B. Group Insurance
C. Non-qualified Deferred Compensation
D. Executive Compensation

Estate Planning (12%)
A. Fundamentals of Estate Planning
B. Estate Planning Documents
C. Trusts
D. Basic Estate Planning Process
E. Basic Estate Planning Strategies
F. Gifting Strategies
G. Life Insurance Planning
H. Advanced Estate Planning Strategies
I. Generation Skipping Transfer Tax
J. Closely-held Business Issues
K. Incapacity Planning
L. Postmortem Estate Planning
M. Estate Planning for Non-U.S. Citizens
N. Estate Planning for Non-Traditional Relationships

Charitable Planning (6%)
A. Charitable Gifts
B. Charitable Trusts
C. Limitations on Use of Charitable Planning

Other Personal Financial Planning Issues (4%)
A. Housing
B. Education Planning
C. Divorce
D. Closely Held Business
E. Job Change and Loss
F. Vacation Homes
G. Other Accumulation Needs
H. Special Needs Planning
Detailed Content Specification Outline with Learning Objectives

Next to each section is a reference to the relevant sources of education for that section. The self-study CPE courses that use these textbooks are available on www.CPA2Biz.com. The course numbers are included below. PFP Section members receive a discounted price on these courses.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Textbook Title</th>
<th>AICPA CPE Course #</th>
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<tbody>
<tr>
<td>EST</td>
<td>Fundamentals of Estate Planning, 13th edition</td>
<td>#757100013</td>
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<tr>
<td>FIN</td>
<td>Financial Planning: Process and Environment, 4th edition</td>
<td>#757200013</td>
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<tr>
<td>INS</td>
<td>Fundamentals of Insurance Planning, 4th edition</td>
<td>#757400013</td>
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<tr>
<td>INV</td>
<td>Fundamentals of Investments for Financial Planning, 7th edition</td>
<td>#757500013</td>
</tr>
<tr>
<td>RET</td>
<td>Planning for Retirement, 12th edition</td>
<td>#757600013</td>
</tr>
<tr>
<td>SSPFPS</td>
<td>Statement on Standards in Personal Financial Planning Services</td>
<td>Included in review course material</td>
</tr>
<tr>
<td>TAX</td>
<td>Fundamentals of Income Tax Planning, 11th edition</td>
<td>#757300013</td>
</tr>
</tbody>
</table>

Professional Responsibilities (12%)  

A. Professional Standards – AICPA

SSPFPS

1. Authoritative
   a. Statement on Standards in Personal Financial Planning Services No. 1
   b. Code of Professional Conduct, Articles I-V
   c. Statements on Standards for Accounting and Review Services No. 6
   d. Statement on Standards for Consulting Services No. 1
   e. Statement on Standards for Valuation Services No. 1
   f. Statements on Standards for Tax Services No. 7

2. Non-Authoritative
   a. Audit and Accounting Guide for Prospective Financial Statements, Chapters 1 and 6

Learning Objectives

- Apply professional standards in practice setting.
- Illustrate professional conduct.
B. Role of the CPA/Personal Financial Specialist (PFS) as Trusted Personal Advisor

1. A core competency that enables the PFS to address clients’ comprehensive financial planning needs

2. Professional standards and ethics as required by the AICPA
   a. Integrity
   b. Objectivity
   c. Competence
   d. Fairness
   e. Confidentiality
   f. Professionalism
   g. Diligence
   h. Unauthorized Practice of Law

3. Reputation as one of the most trusted advisors

**Learning Objectives**
- Assess the comparative advantages of the PFS as a trusted financial advisor.
- Articulate to clients and others the benefits of working with a PFS.
- Demonstrate the standards and ethics required by the AICPA.

C. Regulatory

1. Securities Act of 1933

2. Securities Exchange Act of 1934

3. Investment Advisers Act of 1940
   a. Accountant’s Exclusion

4. General concepts of State regulation

5. IRS Circular 230

**Learning Objectives**
- Understand government and state regulation.
- Apply past regulatory acts to case facts.
D. Fiduciary Practices

1. ERISA Plans
2. Supreme Court decisions
3. Investment Advisers Act of 1940
4. Prudent Man Rule
5. Prudent Investor Rule
6. Uniform Prudent Investors Act

Learning Objectives
- Compare and contrast various fiduciary practice rulings.
- Outline current fiduciary practices standards.
- Distinguish between levels of fiduciary requirement by type of entity.

E. Financial Services Regulations and Requirements

1. Registration and licensing
2. Reporting
3. Compliance
4. Federal and state securities and insurance laws

Learning Objectives
- Identify when registration, licensing, reporting and compliance is required.
- Illustrate securities and insurance law requirements.
Personal Financial Planning Process (8%)

A. Elements of the Overall Planning Process

1. Defining and planning the engagement
2. Gathering client data
3. Performing analyses to develop and support planning recommendations
4. Communicating recommendations and advice to the client
5. Coordinating the implementation of the client’s financial planning decisions
6. Monitoring the client’s progress in achieving goals
7. Assisting the client to revise planning decisions

Learning Objectives

- Understand the comprehensive financial planning process and its value in helping clients meet their financial goals.
- Outline the planning process and other aspects of the engagement, including compensation methods, planner and client responsibilities, timeframe, scope of the planning engagement, etc.
- Identify the needed qualitative and quantitative data from the client sufficient to support the planning analyses and recommendations.
- Demonstrate how to assess the client’s current financial condition.
- Describe how to develop, justify, and prioritize recommendations and how to communicate these recommendations to the client.
- Discuss processes that can be used to collaborate with qualified professions to assist the client in implementing their financial plan.
- Demonstrate how to monitor the client’s progress towards meeting the financial plan and to reassess the plan as conditions change.
B. Behavioral and Psychological Methods of Understanding the Client and Gaining Rapport

1. Components of active listening
2. Verbal and non-verbal cues
3. Context
4. Intuitive abilities
5. Discovery process
6. Behavioral biases and heuristics
7. Socratic questioning methods

Learning Objectives
- Demonstrate active listening, including employing verbal and non-verbal cues in the discovery process.
- Identify various behavioral biases and how to use them in the discovery process to gather qualitative information needed for analysis and recommendations.
- Describe the use of Socratic questions in the discovery process.
- Discuss the importance of context in the discovery process.
- Demonstrate the use of intuitive abilities in the discovery process.

C. Establishment of Financial Objectives and Identification of Constraints

1. Qualitative issues
   a. Client goals
   b. Life cycle considerations
   c. Clients personality, health, and preferences
   d. Time horizon
   e. Other

2. Quantitative issues
   a. Financial statement analysis
   b. Current income and spending patterns
   c. Cash flow planning and budgeting
   d. Business considerations
   e. Financial independence, including retirement
   f. Other income or cash flow sources
**Learning Objectives**
- Facilitate prioritization of client’s financial goals and objectives based on the collective qualitative data collected.
- Compile qualitative and quantitative data to identify constraints to meeting the client’s financial objectives.

D. **Life-Planning and Life-Cycle issues**  

1. Life Planning Goals
2. Life Planning History
3. Life Planning Transition
4. Life Planning Principles
5. Social Style

**Learning Objectives**
- Discuss the components of life planning as they relate to the client data gathering process.
- Identify questions appropriate to the life planning discovery process.
- Compare and contrast the characteristics of left brain versus right brain orientation to discussions around life planning.
- Compare and contrast life planning questions with conventional qualitative questioning.

E. **Professional Liability and Compliance**  

1. Working with compliance consultants
2. Malpractice insurance

**Learning Objectives**
- Understand professional responsibility with regard to compliance requirements and obligations.
- Explain the uses of professional liability insurance as it relates to practicing financial planning.
F. Engagement Letters

1. Importance of well-defined engagements
2. General professional standards
3. Personal Financial Planning (PFP) specific issues
4. Investment management services

Learning Objectives
- Outline engagement letter components and identify the corresponding planning issues.
- Explain why different consulting roles should be addressed in engagement letters.
- Understand PFP specific and investment issues as they relate to the client engagement.
Fundamentals of Financial Planning (6%)

A. Assumptions

1. Need for reasonable and realistic assumptions
   a. General rate of inflation
   b. Escalation rates for unique inflows and outflows
   c. Investment rates of return
   d. Longevity
   e. Tax rates
   f. Client-directed assumptions related to goals

2. Discussion of assumptions with clients

3. Documentation of assumptions
   a. Impact of assumptions on meeting financial goals

Learning Objectives

- Develop the appropriate list of assumptions to use based on the client’s financial situation and goals.
- Incorporate interviewing techniques that lead to client-planner consensus regarding the needed assumptions.
- Utilize legally defensible sources to develop and document the assumptions used in the financial planning process.
- Evaluate the appropriate sources of data and decide upon the appropriate assumptions to use based on your client and his needs.
- Understand and communicate to the client the importance of sound assumptions in the financial plan.

B. Time Value of Money

1. Present value and future value of lump sum
   a. Compounding periods less than annually
   b. Inflation-adjusted rates of return

2. Ordinary annuity and annuity-due payment streams

3. Serial payments

4. Uneven cash flows

5. Net present value and internal rate of return
Learning Objectives

- Solve time value of money problems used to answer financial planning questions regarding meeting financial goals such as retirement and education, loans and mortgages, investment returns, etc.
- Understand which type of calculation is preferable for the various financial planning goals and situations.

C. Personal Financial Statements

1. Personal statement of financial position
2. Personal statement of cash flows
3. Business financial statements, and impact on personal financial statements
4. Use of financial ratios
   a. Liquidity
   b. Savings
   c. Asset allocation
   d. Inflation protection
   e. Tax burden
   f. Housing expenses
   g. Insolvency/credit

Learning Objectives

- Construct the needed personal and business-related financial statements based on the client’s situation.
- Utilize the financial statements to gain an understanding of the client’s current financial status and the resources currently available to meet client goals.
- Interpret the client’s financial position by utilizing appropriate financial ratios and benchmarks.
- Communicate to the client the relationship between the various personal and business financial statements.
- Develop financial planning recommendations based on the client’s financial statements.
- Compare and contrast the client’s current position with his financial situation after following your recommendations using current and projected financial statements.
- Use financial statements to communicate effectively with the client.
D. Cash Management Strategies

1. Spending plans
   a. Development specifications
   b. Implementation issues

2. Emergency fund needs
   a. Based on financial characteristics
   b. Based on risk tolerance and other behavioral characteristics

3. Liquid asset savings alternatives
   a. Checking
   b. Savings

4. Savings strategies
   a. Paying yourself first
   b. Systematic savings techniques
   c. Laddering

Learning Objectives

- Develop a spending plan that facilitates client goal achievement and assist the client in implementing the plan.
- Assess the emergency fund needs of a client based on characteristics such as job stability, diversification of income sources, availability of credit and assets, risk capacity and risk tolerance, etc.
- Understand the various liquid asset alternatives and select the appropriate type of assets to meet the client’s short-term cash management needs.
- Recognize the strategies best suited to meet your client’s savings needs and communicate that to the client.

E. Financing Asset Acquisitions

1. Consumer debt
   a. Credit cards
   b. Lines of credit
   c. Loans
   d. Secured vs. unsecured debt
   e. Fixed-rate vs. adjustable rate debt

2. Mortgage financing
   a. Types of mortgages
   b. Home equity loans and lines of credit
   c. Refinancing issues
   d. Reverse mortgages
3. Buying with debt vs. leasing/renting  
   a. Autos  
   b. Homes

Learning Objectives
- Understand the various types of consumer and mortgage financing options available to meet client needs.
- Formulate client recommendations regarding the use of debt to achieve the client’s goals most effectively, considering the after-tax cost of the debt and the risks involved in the use of debt.
- Evaluate risks and rewards of fixed vs. adjustable-rate debt under various conditions.

F. The Economic Environment

1. The importance of the economic environment on planning decisions  
   a. Basic concepts  
   b. Business cycles  
   c. Inflation  
   d. Interest rates  
   e. Monetary and fiscal policy

Learning Objectives
- Understand basic economic concepts, including supply and demand, price and income elasticity, marginal utility, etc.
- Evaluate alternative financial planning strategies based on current and expected economic conditions.
- Communicate the importance of the economic environment to clients and the need to revise their financial plan as conditions change.

G. Consumer Protection Issues

1. Privacy Issues (topic not currently tested, will be included on future exams)  
   a. Legal requirements  
   b. Professional requirements

2. Identity theft  
   a. Common methods of appropriating identity  
   b. Protections against identity theft

Learning Objectives
- Understand and articulate remedies to identity theft.
H. Basic Business Law Related to the Client-Planner Relationship

1. Engagement Letters
   a. Limiting the scope of representation
   b. Closing letter at end of representation, if appropriate

2. Fiduciary Duty
   a. Definition of fiduciary
   b. Fiduciary duties owed to clients

3. Legal Responsibility to Clients
   a. Disclosure of personal information

Learning Objectives
- Write a client engagement letter.
- Understand the requirements and duties owed to clients as a fiduciary.
- Know when it is allowable to disclose client information.
Income Tax Planning (12%)

A. Integrating Tax Planning into Financial Decisions

B. Personal Fundamental Rules

1. Filing status
2. Dependency exemptions
3. Nontaxable and partially taxable income
4. Deductible and nondeductible expenses
5. Tax credits
   a. Analysis of credit vs. deduction
   b. Types of credits
6. Other, such as taxation of social security and the Kiddie-tax rules
7. Alternative minimum tax

Learning Objectives

- Understand filing statuses available for individuals.
- Describe the requirements necessary for an individual to claim a dependency deduction.
- Identify and describe the various exclusions from income.
- Identify situations when income is partially excluded from tax.
- Identify and describe adjustments to income.
- Examine the limitations on the various adjustments to income, and characterize planning situations where use of adjustments to income helps a taxpayer manage his/her tax liability.
- Identify and describe itemized deductions.
- Examine the financial planning implications of itemized deductions.
- Understand the difference between above-the-line and below-the-line deductions from a tax planning standpoint.
- Illustrate how business deductions are taken into account in the tax calculation.
- Identify and describe categories and types of expenses that are not deductible in determining taxable income.
- Evaluate the benefit of a tax credit as compared to a tax deduction.
- Summarize the difference between refundable and non-refundable credits.
- Identify and describe tax credits that are relevant when engaging in tax planning for individuals.
- Recognize the limitations imposed on the use of each tax credit.
- Understand and compute the income taxation of social security payments.
- Assess the impact of the Kiddie-tax rules.
- Compute Alternative Minimum Tax (AMT).
• Identify the items of tax preference that could impact calculation of the AMT.
• Identify and evaluate the changes that must be made to itemized deductions in arriving at the AMT.
• Describe and calculate the tax treatment of Incentive Stock Options, and their impact on the AMT.

C. Tax Compliance

1. Filing requirements
2. Statute of limitations
3. Awareness of Penalties
   a. Federal
   b. State

Learning Objectives

• Understand the income tax filing requirements for individuals and businesses.
• Describe the statute of limitations that a taxpayer may be subject to, from both federal and state governments.
• Discuss the potential major tax penalties that apply to taxpayers and tax preparers, and the methods of avoiding those penalties, such as substantial understate statement penalty, underpayment penalty of estimated taxes, early withdrawal penalty from retirement accounts/annuities, failure to take Required Minimum Distribution, and failure to report a Foreign Bank account.

D. Business Entity and Trust Characteristics and Income Tax Issues

1. Entity Classification for Federal Income Tax Purposes (pursuant to the Check the Box Regulations)
   a. Corporations
      i. Regular (C) Corporations
      ii. S-Corporations
      iii. Associations taxable as corporations
   b. Partnerships
      i. Limited Liability Companies (LLC)
      ii. Limited Liability Partnerships (LLP)
      iii. Limited Partnerships
      iv. General Partnerships
      v. Sole Proprietorships
      vi. Trusts
2. Income Taxation and Financial Planning Concepts
   a. Corporations
   b. Partnerships
   c. Sole Proprietorships
   d. Trusts (Sub-Chapter J)

3. Use of entities and trusts in estate/generation skipping transfer tax planning and asset protection planning
   a. Minority and Marketability discounts – Rev. Rul. 93-12
   b. Temporal discounts
   c. Using entities and trusts to protect assets from the claims of creditors of the grantor and beneficiaries

Learning Objectives

- Classify businesses for income tax purposes according to the check-the box regulations.
- Describe the characteristics of C-Corporations.
- Identify the ongoing requirements necessary for C-Corporations to retain limited liability status.
- Describe the taxation of C-Corporations, including special corporate tax attributes such as the accumulated earnings tax, and the tax on liquidation of the entity.
- Identify the requirements necessary to obtain S-corporation status.
- Describe the taxation of S-Corporations, including special corporate tax attributes such as the tax on liquidation of the entity.
- Differentiate between Limited Liability Companies and Limited Liability Partnerships.
- Differentiate between LLC/LLP and Limited and General Partnerships.
- Understand the tax treatment of partnerships from the perspective of the owner.
- Outline the consequence of self-employment status for sole proprietors, partners and 2% or more owners of S-Corporations.
- Discuss the tax treatment of revocable trusts from the perspective of the grantor, the beneficiary, and the trust.
- Discuss the tax treatment of irrevocable trusts, from the perspective of the grantor, the beneficiary, and the trust.
- Identify circumstances which will make a trust grantor or beneficiary defective, and describe the tax consequences of this status.
- Describe how minority and marketability discounts can be obtained through the use of LLCs, LLPs, and Limited partnerships.
- Explain how trusts can be used to create temporal discounts (discounts based on the passage of time).
- Identify and describe the asset protection aspects of corporations, LLCs, LLPs, partnerships and trusts.
E. Income Splitting

1. Incorporation
   a. Subchapter C corporations
   b. Subchapter S corporations

2. Interest free loans

3. Employing spouse or children and FICA taxes

4. Family limited partnerships and LLCs

5. Installment sales

6. Self-Cancelling Installment Notes (SCINs)

7. Private annuities

8. Gifts and trusts

9. Assignments of income rules

Learning Objectives

- Outline how the creation of a corporation (S or C) can result in income splitting for family members.
- Illustrate the benefits of income splitting.
- Evaluate the limitations on the use of below-market rate or interest free loans for income tax purposes.
- Understand the tax consequences of interest free loans from the perspective of both the lender and the borrower.
- Identify the de minimus limitations on the interest-free loan rules.
- Communicate the benefits of hiring a spouse or child.
- Describe the structure, benefits, and tax consequences of a family limited partnership and LLC.
- Analyze and compute income tax consequence of an installment sale of property to a family member.
- Describe and compute the gift and estate tax benefits of engaging in an installment sale of property to a family member.
- Describe and compute the tax consequences if the seller of property subject to an installment note dies before receiving all of the note payments.
- Describe and compute the income tax treatment of the sale of property to a family member subject to a Self-cancelling installment notes (SCIN).
- Compare the differences, and the planning uses, of installment notes vs. SCINs.
- Describe and compute the income tax treatment of the sale of property to a family member subject to a private annuity.
- Compare the differences, and the planning uses, of installment notes vs. SCINs vs. Private Annuities.
• Describe and illustrate the tax consequences and benefits (from and income and estate tax planning perspective) of making gifts to family members.
• Identify the various types of trusts that can be used to facilitate the gifting of property to family members.
• Describe the benefits of using trusts to make gifts to family members from an income, estate, and gift tax perspective.
• Understand the assignment of income rules, and identify situations where these rules are violated.

F. Charitable Contributions

1. Limitations
2. Property donations
3. Charitable trusts
4. Use of Private Foundations
5. Donor Advised Funds

Learning Objectives
• Discuss the tax limitations imposed on the tax-deductibility of gifts made to charity.
• Identify the types of gifts that qualify for the charitable deduction.
• Describe and compute the tax consequences of the various types of gifts made to charitable organizations.
• Understand the consequences of making contributions of tangible personal property to charitable organizations.
• Describe the structure, requirements, benefits, and planning uses of the various types of Charitable Remainder Trusts.
• Describe the structure, requirements, benefits, and planning uses of the various types of Charitable Lead Trusts.
• Identify the purpose and uses of private foundations.
• Identify the types of private foundations, and the tax consequences of making contributions to each type of private foundation.
• Illustrate the benefits of using a private foundation as compared to a donor advised fund.
G. Tax Consequences and Requirements of Like-Kind Exchanges

Learning Objectives
- Describe the requirements necessary to defer recognition of gain in a like-kind exchange under Section 1031.
- Discuss the requirements necessary to defer recognition of gain in a non-simultaneous exchange under Section 1031.
- Understand the tax consequences to the parties exchanging properties in a like-kind exchange, including the treatment of boot and required basis adjustments in properties subject to the exchange.

H. Passive Activity and At-risk Rules

Learning Objectives
- List the purpose and use of the at-risk limitations.
- List the purpose and use of the passive activity rules.
- Describe how the passive activity rules and at-risk limitations are integrated.
- Identify events that will permit a taxpayer to use passive losses to offset other forms of income.
- Identify the requirements for the special rule that allows up to $25,000 of passive losses incurred on real estate to be used to offset other forms of income.
- Describe the difference between active and material participation in an activity.
- Identify the standards used to define material participation.
- Identify the circumstances under which real estate professionals may avoid passive treatment of real estate gains/losses.

I. Taxation of Property Transactions

1. Classification of assets
   a. Ordinary income assets
   b. Capital Assets (IRC Section 1221)
   c. Section 1231 Assets (IRC Section 1231)

2. Tax rates and planning issues
   a. Ordinary Income Assets
   b. Capital Assets
      i. Short-term vs. Long-term gains and tax treatment
      ii. Wash Sale Rule
      iii. Loss limitation rules
      iv. Section 1244 Small Business Stock Election
   c. Section 1231 Assets
      i. Tax treatment of Section 1231 Assets
      ii. Depreciation recapture
         a. Personal property
         b. Real property
3. Deferring recognition of gain
   a. Like Kind Exchanges (Section 1031)
   b. Involuntary Conversions (Section 1034) (topic not currently tested, will be included on future exams)

4. Tax Free Gains
   a. Sale of Personal Residence (Section 121)
      i. Qualification requirements
      ii. Limitations

5. Asset Sales to family members
   a. Related party transaction rules
   b. Bargain sales

6. Installment sale rules and elections

**Learning Objectives**
- Identify the classification of assets for income tax purposes.
- Describe and compute the tax treatment resulting from the sale of ordinary income assets.
- Describe and compute the tax treatment resulting from the sale of capital assets.
- Describe and compute the tax treatment resulting from the sale of Section 1231 assets.
- Identify the holding period rules that apply to capital asset transactions.
- Describe the purpose of the wash sale rule, and the resulting basis adjustments that must be made in the replacement property.
- Articulate the capital gains netting process, and the limitations imposed on capital losses when offsetting other forms of income.
- Understand the requirements necessary to obtain the tax benefits provided by Section 1244 (the Small Business Stock Election).
- Describe and compute the tax benefits of Section 1244 stock.
- Describe the purpose, and tax consequences, of the depreciation recapture rules.
- Identify the types of involuntary conversions, and the requirements necessary to avoid recognition of realized gain in an involuntary conversion. (topic not currently tested, will be included on future exams)
- Describe the requirements to avoid income taxation on the sale of a personal residence, and the limitations imposed on the exclusion from tax.
- Discuss the consequences of selling property, or gifting property, to family members.
- Determine the basis of property in the hands of the purchaser/donee if the property was acquired from a related party.
- Describe and compute the tax consequences of bargain sales of property to related parties.
- Explain the benefits of the installment sale reporting provisions, and the tax consequences to the purchaser and seller of the property.
J. Income and Deduction Timing and Limitations

1. Capital gains and losses
   a. Short-term
   b. Long-term

2. Original issue discount

3. Net operating losses
   a. Carryback
   b. Carryforward

4. Passive income and losses

5. Interest expense classification

6. Itemized deduction limitations

Learning Objectives

- Identify the tax consequences resulting from holding capital assets for more than one year.
- Describe the constructive receipt rule, and how it impacts the tax aspects of zero-coupon bonds for cash-basis taxpayers.
- Define a net operating loss, and identify how that loss may be treated for income tax purposes.
- Describe how the timing of the receipt of passive income may assist a taxpayer in recognizing passive losses under the passive activity rules.
- Explain the ways that individual taxpayers may deduct interest paid, and the limitations on those deductions.
- Describe the floor and ceiling limitations that apply to the various categories of itemized deductions.

K. Divorce Considerations

1. Property settlement rules

2. Alimony, child support and property payments

3. Dependency exemption

4. Retirement plan asset division
Learning Objectives

- Distinguish property settlements, alimony, and child support from a tax perspective.
- Describe and compute the tax treatment of alimony payments.
- Define the recapture rules that apply to alimony payments, and calculate the amount of recapture given a set of client facts.
- Describe how the dependency exemption for children may be claimed by divorced and separated parents.
- Describe the purpose and use of a qualified domestic relations order (QDRO).
- Describe the tax consequences of a distribution of pension plan assets subject to a QDRO to an ex-spouse in the form of a direct distribution or a rollover to an IRA or qualified plan, including any tax penalties that may apply.

L. Managing Tax Liability

1. Deferral techniques

2. Deduction techniques
   - Accelerating deductions
   - “Bunching” deductions into one tax year to avoid floor limitations on itemized deductions

3. Tax Credits
   - Refundable vs. nonrefundable
   - Distinction between a credit and a deduction
   - Types of credits available for individual taxpayers
     - Qualification requirements
     - Limitations

4. Shifting tax liability
   - Use of gifting strategies to manage overall family tax liability
   - Kiddie-tax rules

Learning Objectives

- Identify the techniques that a taxpayer can use to defer tax liability, and describe the planning uses and applications of these techniques.
- Explain how accelerating deductions, or bunching deductions into one tax year, may result in a minimization of a taxpayer’s overall tax liability.
- Explain the difference between refundable and nonrefundable tax credits.
- Describe how a tax credit differs from a tax deduction.
- Identify the types, and requirements for, education tax credits.
- Identify other credits used by individual taxpayers, and describe their planning implications, if any.
- Describe how the shifting of tax liability can be accomplished, and identify any limitations that may apply to this planning technique.
- Describe the kiddie tax rules, and suggest possible ways of planning around them.
M. Income in Respect of the Decedent (IRD) Property

1. Traditional Retirement Assets
   a. Qualified
   b. Non Qualified Assets
   c. Individual Retirement Account

2. Royalties

3. Equity comp
   a. Employee Stock Options
   b. Restricted Stock Units
   c. Net Unrealized Appreciation (NUA)
   d. Other

4. Annuities

Learning Objectives
- Describe the income and estate tax consequences of IRD property.
- Discuss charitable planning solutions for disposition of IRD property at death.
Insurance Planning (10%)

A. The Risk Management Process

1. Identification of potential loss exposures

2. Assess severity of loss
   a. Frequency
   b. Severity
      i. Valuation/Appraisal
      ii. Needs analysis (see section B below)

3. Selection of risk management technique
   a. Avoidance
   b. Prevention
   c. Retention
   d. Transfer

4. Implementation

5. Monitor and review

Learning Objectives

- Identify, assess and evaluate loss exposures.
- Select and propose risk management technique(s).

B. Needs Analysis

1. Life Insurance
   a. Income needs analysis
   b. Capital retention
   c. Human life value

2. Other Insurance
   a. Cost-benefit proposition

Learning Objectives

- Selecting appropriate method of analysis.
- Determine amount of insurance.
C. Legal Elements of Insurance Contracts

1. Insurable Interest

2. Principle of Indemnity
   a. Reducing moral hazards

3. Subrogation

4. Principle of Utmost Good Faith
   a. Representations/Misrepresentations
   b. Concealment
   c. Warranties

5. Conditions of a contract
   a. Offer and acceptance
   b. Consideration
   c. Competent parties
   d. Legal purpose

6. Characteristics of the insurance contract
   a. Aleatory contract
   b. Unilateral contract
   c. Conditional contract
   d. Contract of adhesion

   a. Free Look period
   b. Grace period
   c. Incontestability clause
   d. Suicide clause

8. State Laws
   a. Creditor Protection (topic not currently tested, will be included on future exams)
   b. Rebating

Learning Objectives
- Articulate the legal elements and characteristics of insurance contracts.
- Communicate policy provisions to clients.
D. Life Insurance Types and Applications

1. Types
   a. Group Life Insurance
      i. Types
         a. Annual Renewable Term (ART)
         b. Accidental Death and Dismemberment (AD&D)
         c. Group Universal Life
      ii. Characteristics
         a. Guaranteed issue
         b. Modified underwriting
         c. Convertibility
         d. Retirement options
      iii. Tax issues
         a. Premium deductibility

   b. Individual Life Insurance
      i. Features
         a. Premium Guarantee
         b. Conversion
         c. Waiver of premium
         d. Return of premium
         e. Cost of living rider
         f. Guarantee purchase option
         g. Accidental death benefit
         h. Accelerated death benefit
      ii. Underwriting
         a. Factors
            i. Age
            ii. Gender
            iii. Health status
            iv. Tobacco use
            v. Occupation
            vi. Avocations
            vii. Travel
            viii. Family history
            ix. Economic considerations
               1. Net worth
               2. Income
               3. Credit history
            x. Rate classes
               1. Preferred
               2. Standard
               3. Rated
iii. Term life insurance
   a. Types
      i. Annual Renewable Term (ART)
      ii. Level Premium

iv. Credit life insurance

v. Permanent life insurance
   a. Individual policies
   b. Joint policies
      i. Survivorship/Second-to-die
      ii. First-to-die
   c. Whole Life
      i. Non-participating
      ii. Participating (dividend paying)
      iii. Current assumption
   d. Universal Life (UL)
      i. Traditional UL
      ii. Variable UL
      iii. Guaranteed UL
      iv. Index UL
   e. Limited payment
   f. Single premium
   g. Private Placement
   h. No load/low load policies

vi. Key Issues
   a. Optimal Design
      i. Blended
      ii. Funding period
      iii. Cash build up
      iv. Corridor factor
   b. Funding
      i. Modified Endowment Contract (MEC) limits
      ii. Premium financing
   c. Income and Estate Taxation
      i. Inside build up
      ii. Dividends
      iii. Death benefit
      iv. Policy loans
      v. MEC rules
      vi. Transfer for value rules IRC Section 101(a)(2)
      vii. Section 1035 exchanges
   d. Non-forfeiture options
      i. Cash
      ii. Reduced paid up
      iii. Extended term
e. Settlement options
   i. Cash
   ii. Fixed amount
   iii. Fixed period
   iv. Annuity option

2. Application of Life Insurance
   a. Personal risk protection
      i. Income replacement/family needs analysis
      ii. Debt liquidation
      iii. Funding Goals
      iv. Final expense protection
      v. Pension maximization
   b. Estate planning
      i. Liquidity
      ii. Estate enhancement
      iii. Wealth replacement
      iv. Charitable Giving
   c. Business planning
      i. Key person Insurance
      ii. Business continuation
      iii. Non-qualified deferred compensation
      iv. Executive bonus plans IRC Section 162(a)(1)
   d. Tax Favorable Savings Vehicle
      i. Cash value policies for retirement or education
         a. Withdrawals
         b. Loans
            i. Participating
            ii. Non participating
            iii. Loan spread
         c. FIFO taxation
      d. Net amount at risk/corridor
      e. Traditional vs. Private Placement Life Insurance (PPLI)
      f. Compare to buy term/save difference

3. Ownership and Beneficiary Issues
   a. Estate planning
      i. ILIT
      ii. Qualified Domestic Trusts (QDOT)
      iii. Spouse/Unlimited marital
      iv. Children/estate taxation
      v. Gifting Issues/limitations
         a. Crummey provisions
   b. Business planning
      i. Business continuation agreements
      ii. Nonqualified deferred compensation
      iii. Executive bonus plans
4. Practical Aspects of Life Insurance
   a. How to read an illustration
   b. How to perform an annual review
   c. What to look for on a proposal
   d. How to compare products/carriers
      i. In-force ledger statements
      ii. Interested-adjusted net surrender cost method
      iii. The Baldwin method
   e. Impact of 2001 Standard Ordinary Mortality Table
   f. Compensation Methods (topic not currently tested, will be included on future exams)
      i. Traditional – commission based
      ii. No load
      iii. Consultation Fees

Learning Objectives
- Compare and contrast types of life insurance.
- Select appropriate type of insurance based on client’s needs.
- Evaluate tax implication of the various applications of life insurance.
- Communicate life insurance features, nonforfeiture and settlement options to clients.
- Select appropriate feature(s), nonforfeiture and settlement options based on clients’ goals.
- Recognize underwriting factors as they relate to risk classifications.
- Create optimal design and funding schedule of permanent life insurance based on clients’ goals.
- Recognize applications of life insurance.
- Demonstrate knowledge of practical aspects of life insurance.

E. Annuities

1. Types
   a. Immediate vs. deferred annuities
   b. Traditional vs. Private Placement
   c. Private Annuities
   d. Fixed/Variable/Equity indexed
   e. No load/Low load

2. Rollovers
   a. Section 1035 exchanges

3. Withdrawals
   a. See taxation below
4. Distributions
   a. See taxation below
   b. Annuity options
      i. Cash
      ii. Life annuity without refund
      iii. Life annuity with period certain payments
      iv. Installment refund option
      v. Joint and survivor option

5. Creditor Protection  (topic not currently tested, will be included on future exams)

6. Taxation
   a. Early withdrawal penalty
   b. Taxation of withdrawals or partial surrenders
   c. Expected return/Exclusion ratio
   d. IRD

Learning Objectives

- Recognize the various types and uses of annuities.
- Communicate tax implications to the client.
- Select annuity distribution option based on clients goals.

F. Disability Insurance

1. Types
   a. Short-term vs. long-term
   b. Group vs. Individual
   c. Employer provided
   d. Association plans
   e. Fraternal Organization

2. Policy definitions
   a. Occupational classes
   b. Own Occupation vs. Any Occupation
   c. Elimination/waiting period
   d. Duration of benefits
   e. Partial/residual disability benefits
   f. Portability features

3. Optional benefits and riders
   a. Cost-of-living adjustment
   b. Automatic benefit increase
   c. Option to purchase additional insurance
   d. Waiver of premium
   e. Social security rider
   f. Return of premium rider
4. Business disability plans
   a. Buy/sell plans
   b. Business overhead expense plans

5. Taxation of benefits

**Learning Objectives**
- Differentiate and compare types of disability insurance.
- Illustrate policy definitions.
- Select benefits and riders based on client need.
- Communicate tax implications of benefits.

G. Property and Casualty Insurance

1. Homeowner’s insurance
   a. Policy forms
      i. HO-2 (broad form)
      ii. HO-3 (special form)
      iii. HO-4 (contents broad form)
      iv. HO-5 (comprehensive form)
      v. HO-6 (unit-owners form)
      vi. HO-8 (modified coverage form)
   b. Covered perils
      i. Dwelling
      ii. Personal property
   c. Section 1
      i. Coverage A – dwelling
         a. Co-insurance clause
      ii. Coverage B – other structures
      iii. Coverage C – personal property
         a. Replacement cost endorsement
         b. Personal property floater
      iv. Coverage D – loss of use
   d. Section 2
      i. Personal liability
      ii. Medical payments to others
   e. Exclusions
      i. Section 1
      ii. Section 2
2. Personal Auto Policy
   a. General provisions
   b. Part A – liability coverage
      i. Single limit
      ii. Split limits
   c. Collision
   d. Uninsured/underinsured coverage

3. Umbrella/Excess liability insurance
   a. Underlying coverage
   b. Self-insured retention

**Learning Objectives**
- Select appropriate policy form for insured property based on covered perils.
- Evaluate appropriate dwelling values for co-insurance purposes.
- Choose liability limits based on clients financial statements.

**H. Medical Expense Insurance**

1. Individual medical expense plans
   a. Basic hospital/surgical expense plans
   b. Major medical plans
      i. Deductible
      ii. Co-insurance
      iii. Pre-existing conditions
      iv. Exclusion
   c. High deductible health plans
      i. Health savings accounts (HSA)
         a. Deductibles
         b. Contribution limits
      ii. Tax treatment
2. Group medical expense insurance  
   a. Types of plans  
      i. Indemnity plans  
      ii. Managed care plans  
         a. Health Maintenance Organization (HMO)  
         b. Preferred Provider Organization (PPO)  
         c. Point of Service (POS)  
      iii. Providers of Health Care Insurance  
          a. Commercial Insurance Companies  
          b. Blue Cross/Blue Shield  
          c. Self Funded Employee Health Benefits  
      iv. Government Programs  
          a. Medicare (including Drug Plans)  
          b. Medicaid  
   v. Medigap coverage  

b. Policy provisions  

Learning Objectives  
- Distinguish differences between types of individual and group medical expense plans.  
- Compare tax advantages of various plans.  
- Demonstrate knowledge of government programs and their usefulness to clients.  
- Break down and communicate components of COBRA and HIPAA which relate to clients concerns.

I. Long-term Care Insurance

1. Types  
   a. Group vs. Individual  
   b. Traditional life insurance or annuity based

2. Policy Provisions/Definitions  
   a. Qualified care  
   b. Benefits  
   c. Deductibles  
   d. Triggers/Activities of daily living  
   e. Covered Services  
   f. Inflation protection  
   g. Non-forfeiture benefits

3. Retaining the Risk – The self-insurance option
4. Tax Treatment
   a. Premium deductible/credits
   b. Benefits

**Learning Objectives**
- Analyze need for LTC insurance.
- Select appropriate policy/benefits based on clients goals.
- Relate tax implications to client.

**J. Other Types of Liability Insurance**

1. Professional liability insurance
2. Directors and officers liability insurance

**Learning Objectives**
- Recognize need for additional liability insurance based on client’s situation.
Investment Planning (12%)

A. Investing as a Process

1. Phases in the investment planning process
   a. Planning
   b. Execution
   c. Feedback

Learning Objectives
- Describe the three phases in the investment process.

B. The Planning Phase

1. Client’s financial condition and attitudes
   a. Personal financial statements
      i. Balance sheet
      ii. Cash flow statement
   b. Investor personality
      i. Level of confidence and method of action
      ii. Implications for the financial advisor’s approach
   c. Investor psychology
      i. How clients view money
      ii. Investor biases
      iii. Understanding emotional responses to money
      iv. Methods of dealing with client biases

2. Client’s financial goals
   a. Goal setting
      i. Life cycle approach: accumulation, consolidation, spending, gifting
      ii. Rational portfolio approach: near or long-term, and low or high priority
   b. Quantifying goals
      i. Dollar specificity
      ii. Time specificity

3. Computing required return
   a. Time value of money techniques
      i. Using a financial calculator
      ii. Using a spreadsheet
   b. Monte Carlo Simulation
4. Assessing risk tolerance
   a. Risk attitude: indifferent, adverse, seeking
   b. Using a risk tolerance questionnaire
   c. Determining risk tolerance by client conversation

5. Investment risks
   a. Systematic (un-diversifiable) risks: purchasing power, political, currency (exchange rate), interest rate, market, event
   b. Unsystematic (diversifiable) risks: business, financial, liquidity, reinvestment, sector/industry, tax
   c. Measuring investment risk

6. Economic and capital market expectations
   a. Macroeconomic variables
      i. Inflation
      ii. Interest rates
      iii. Gross Domestic Product (GDP) growth
      iv. Exchange rate
   b. Expected impact of macroeconomic variables on capital markets

7. Developing an Investment Policy Statement
   a. Objectives
      i. Return – see above
      ii. Risk tolerance – see above
   b. Constraints
      i. Time horizon – see above
      ii. Liquidity
         a. Emergency cash
         b. Goal spending within 5 years
         c. Income taxes
         d. Estate transfer taxes
         e. Investment flexibility
      iii. Taxes
         a. Taxation of investment returns
            i. Ordinary income
            ii. Capital gains and losses
            iii. Marginal income tax rates
            iv. Qualified and nonqualified dividends
            v. Tax-exempt income
            vi. Projecting before and after-tax returns
            vii. Alternative minimum tax (AMT)
         b. Tax strategies
            i. Capital gains
            ii. Tax-free vs. taxable
            iii. Use of margin accounts
            iv. Year-end tax planning
c. Legal and regulatory considerations
   i. The Investment Advisers Act of 1940
   ii. Employee Retirement Income Security Act of 1974 (ERISA)
   iii. The Uniform Prudent Investor Act of 1994
   iv. The Uniform Principal and Income Act of 1997
   v. The Uniform Trust Code of 2000
   vi. Registered investment advisor (RIA) requirements
   vii. Fiduciary responsibilities

d. Unique needs
   i. Personal trust considerations
   ii. Divorce/separation
   iii. Caregivers
   iv. Family health issues
   v. Small business owners
   vi. Military service members
   iv. Client responsibilities

Learning Objectives
- Create and analyze client financial statements.
- Evaluate a client to discern his/her investor personality and provide implications for your approach to that person.
- Explain the importance of psychology to successful investing.
- Describe sources of cognitive errors or investor biases.
- Recognize investor biases in your clients, and know how to approach them.
- Describe how emotions impact investing.
- Define self-control and discuss ways to increase it in your clients’ investing.
- Compare and contrast the life cycle and rational portfolio approaches to goal setting.
- Create and quantify client goals, to include required return.
- Distinguish between risks that can be diversified away (nonsystematic or diversifiable risk) and those that cannot (systematic or undiversifiable risk).
- Recognize risks inherent in a client’s investments.
- Assess a client’s risk tolerance and evaluate the implications it has for his/her portfolio, and return expectations.
- Formulate an Investment Policy Statement (IPS) for your client.
- Evaluate a client’s tax situation and recommend appropriate tax strategies.
• Evaluate how the regulations that govern investment advisor behavior would apply to a given client’s situation.
• Appraise the unique needs of clients in special situations, evaluating the impact of these on their portfolio.
• Discuss client responsibilities in the investment process.
• Know the purpose of diversification, and explain how a portfolio becomes diversified.
• Define correlation coefficient and explain how imperfectly correlated assets have the potential to reduce portfolio risk.
• Explain the importance of asset allocation to the future expected returns and variability of a portfolio.
• Determine a client’s current asset allocation and make supported recommendations for any changes.
• Compare and contrast insured, tactical, and strategic asset allocation.
• Distinguish between and classify asset classes by type of financial asset, origin, economic development, market capitalization, and investment style.

C. The Execution Phase

1. Portfolio management basics
   a. Time value of money
   b. Return and risk relationship
   c. Modern portfolio theory
   d. Efficient markets hypothesis
   e. Market indices
   f. Capital markets structure
   g. Portfolio characteristics
      i. Turnover
      ii. Composition
      iii. Expenses
      iv. Tax implications
      v. Return
      vi. Risk

2. Research organizations
   a. Stocks
   b. Bond ratings
   c. Mutual funds and Electronic Funds Transfer (ETFs)

3. Types of investment vehicles
   a. Cash and equivalents
   b. Guaranteed investment contracts (GICs)
   c. Individual bonds
   d. Individual stocks
   e. Mutual funds
      i. Open-end vs. closed-end
      ii. Load vs. no-load
      iii. Passive vs. active management
f. ETFs

Other pooled and managed investments

h. Real estate

i. Alternative investments

4. Investment strategies
   a. Active vs. passive management
   b. Market timing
   c. Dollar cost averaging
   d. Dividend and/or capital gain distribution reinvestment
   e. Systematic withdrawal plans
   f. Bond laddering
   g. Hedging
      i. Options
      ii. Futures
      iii. Short selling
      iv. Buying short ETFs
   h. Leverage
      i. Concentrated portfolios
         i. Risks of concentrated portfolios
         ii. Strategies for reducing risk or diversifying concentrated portfolios

5. Investment valuation
   a. Asset pricing theories
      i. Capital asset pricing model (CAPM)
      ii. Arbitrage pricing theory (APT)
   b. Technical vs. fundamental analysis
   c. Stock valuation
   d. Bond valuation

Learning Objectives

- Explain the impact modern portfolio theory has on investing.
- Critique the efficient market hypothesis, and its implications for technical and fundamental analysis.
- Compare and contrast stock and bond market indices to include weightings and composition.
- Analyze and explain a portfolio’s characteristics.
- Evaluate investment research and rating organizations.
- Examine the relationship of the real interest rate, expected inflation and risk premium to expected return.
- Explain the concept of volatility, how it is measured, and how it can be reduced in a portfolio.
- Compare and contrast the various cash and equivalents or money market instruments to include treasury bills, CDs, GICs, commercial paper, Eurodollars, repos and bankers acceptances.
- Compare and contrast the following types of bonds: government, municipal, corporate (secured and unsecured), and mortgage-backed.
- Describe the general features of common stock and preferred stock.
• Discuss the various trading orders that can be utilized to buy and sell stock.
• Explain the data included in a bond, stock or mutual fund listing.
• List and describe the important functions that mutual funds (investment companies) offer to investors.
• Describe the advantages and disadvantages of investing in an index mutual fund versus an actively managed mutual fund.
• Evaluate open-end and closed-end funds.
• Describe how load and no-load funds differ from each other.
• Explain the types of mutual fund fees.
• Describe exchange-traded funds (ETFs) and their advantages and disadvantages compared to open-end and closed-end funds.
• Analyze data on two mutual funds or ETFs to choose the most appropriate fund given a client’s IPS.
• Discuss how a client might gain exposure to illiquid asset classes such as real estate or commodities.
• Compare and contrast active versus passive investing, describing the beliefs that underpin each.
• Create procedures to implement dollar cost averaging.
• Create a bond ladder.
• Create a portfolio hedging strategy.
• Model the option strategies of covered calls and protective puts, recommending them when appropriate.
• Evaluate a concentrated portfolio, recommending strategies to reduce risks or diversify it.
• Develop strategies to manage a portfolio for maximum tax efficiency.
• Evaluate a stock’s market price by calculating its intrinsic value per share using the constant-growth dividend discount model (DDM), or P/E ratio.
• Calculate and explain a bond’s price, realized compound yield, yield-to maturity (YTM), yield-to-call (YTC) and current yield (CY).
• Formulate the relationship between a bond’s par (face) value, market price, coupon rate, maturity and YTM.
• Explain how Macaulay’s duration (MAC) measures a bond’s interest rate risk, and determine how a bond’s time to maturity, YTM, coupon rate and discount/premium impact its MAC.
• Understand the term structure of interest rates and predict the path of future interest rates given a yield curve.
• Describe the concept of benchmarking returns and recommend an appropriate benchmark given an investment.
• Evaluate the advantages and disadvantages of investment strategies, recommending the optimum strategies for a client, and developing a prioritized action plan to implement them.
D. The Feedback Phase

1. Measuring performance and goal achievement
   a. Calculating returns
      i. Simple vs. compound return
      ii. Arithmetic vs. geometric (time-weighted) average returns
      iii. Holding period return
      iv. Real return (after-tax and inflation)
      v. Internal rate of return (dollars-weighted)
      vi. Fixed income returns
         a. Yield
         b. Duration
      b. Tax-exempt and taxable equivalent
   c. Tracking progress towards a dollar goal
   d. Benchmarking returns

2. Re-evaluation of the IPS
   a. Changes in the economy or capital markets
   b. Changes in the client’s life situation, financial situation or goals
   c. Changes in the client’s risk tolerance
   d. Changes in constraints

3. Rebalancing the portfolio
   a. Buy and hold
   b. Strategic or constant mix
   c. Tactical
   d. Insured
   e. Tax considerations

Learning Objectives
• Assess a client’s progress towards his/her goal through appropriate rate of return and net worth calculations.
• Compute your client’s holding period and annual compound rate of return on an investment over a specific time frame.
• Critique a client’s IPS and support your recommendation for any changes.
• Compare and contrast various rebalancing strategies, discussing the market conditions when each would be best utilized.
• Formulate rebalancing moves required using strategic (constant mix) rebalancing.
Financial Independence (Retirement Planning) (12%)

A. Financial Independence Planning Process

1. Determine and prioritize client goals and related expenses
2. Determine current retirement assets
3. Determine retirement income sources
4. Perform capital needs analysis
   a. Using modeling techniques
   b. Assumptions
      i. Inflation
      ii. Portfolio rate of return
      iii. Life expectancy
      iv. Income tax considerations
5. Evaluate savings vehicles

Learning Objectives
- Describe the retirement planning process.
- Describe and differentiate modeling techniques relating to capital needs analyses.
- Select sound values for assumptions in capital needs analyses.
- Understand the concept of life expectancy and probability of living until certain ages for individuals and couples.
- Evaluate available savings vehicles based on client goals and tax considerations.

B. Government Retirement Programs

1. Social Security
   a. Eligibility
   b. Benefit determination
   c. Taxation of benefits
   d. Reduction of Benefits

2. Medicare
   a. Eligibility
   b. Benefit coverage
      i. Part A – Hospital
      ii. Part B – Medical
      iii. Part D – Prescription Drug

3. Medicaid
Learning Objectives

- Describe the eligibility requirements and benefits available through Social Security, Medicare, and Medicaid.
- Evaluate the optimal age to begin Social Security benefits.
- Understand the circumstances when social security benefits are taxable or reduced.

C. Employer-Sponsored Retirement Plans

1. Regulations and legislation
   a. Department of Labor
   b. Internal Revenue Service
   c. Employee Retirement Income Security Act (ERISA)
   d. Pension Protection Act (PPA)
   e. IRC Section 409(a)

2. Pension vs. Profit-Sharing Plans

3. Defined Benefit vs. Defined Contribution plans

4. ERISA qualified plan requirements
   a. Coverage
      i. Safe Harbor
      ii. Ratio Percentage
      iii. Average Benefits
   b. Eligibility
   c. Vesting
   d. Top Heavy
   e. Non-discrimination testing
      i. Average Deferral Percentage (ADP)
      ii. Actual Contribution Percentage (ACP)
   f. Contribution and benefit limits
      i. Social Security Integration
   g. Permissible Investments
   h. Fiduciary Responsibility
      i. Section 404(c) election

5. ERISA Qualified Defined Benefit Plans
   a. Defined Benefit Pension Plan
   b. Cash Balance Pension Plan
6. ERISA Qualified Defined Contribution Plans
   a. Money Purchase Pension Plan
   b. Target Benefit Pension Plan
   c. Profit-Sharing Plan
   d. Age-Weighted Profit-Sharing Plan
   e. New Comparability Plan
   f. 401(k)
   g. Safe Harbor 401(k)
   h. Solo 401(k)
   i. Employee Stock Ownership Plan (ESOP)
   j. Stock Bonus Plan

7. Tax Advantaged Plans
   a. Simplified Employee Pension (SEP)
   b. Savings Incentive Match Plans for Employees (SIMPLE)
   c. SIMPLE IRA
   d. SIMPLE 401(k)
   e. 412(i)
   f. Keogh (HR-10)

8. Government and Non-Profit Plans
   a. 457
   b. 403(b)

9. Non-Qualified Retirement Plans
   a. Employee Stock Purchase Plan
   b. Salary Continuation

10. Selection considerations
    a. Business owner goals
    b. Business cash flow position
    c. Need for a qualified plan
    d. Tax benefits
    e. Plan costs
    f. Funding requirements
    g. Investment Risk
Learning Objectives

- Describe the requirements and compliance set forth in the listed laws and governmental agencies.
- Understand the similarities and differences between pension and profit-sharing plans.
- Understand the similarities and differences between defined benefit and defined contribution plans.
- Understand the differences in funding, taxation, and asset security between qualified plans, tax-advantaged plans, individual plans, and nonqualified plans.
- Describe and perform coverage, eligibility, and non-discrimination testing.
- Understand top-heavy requirements and know the necessary remedies.
- Describe the allowable funding schedules under ERISA and calculate a client’s vested account balance.
- Describe the types of contributions subject to vesting.
- Know the maximum contribution and benefit allowable under each type of plan.
- Describe the tax consequences of overfunding all types of plans.
- Describe the application of social security integration.
- Describe the permissible investment vehicles allowed in each type of plan.
- Understand the qualification requirements set forth by ERISA.
- Understand the requirements and responsibilities of a plan fiduciary.
- Describe the prohibited transaction and parties and interest relating to plan fiduciaries.
- Describe the benefits of the Section 404(c) election.
- Describe the differences between all corporate-sponsored retirement plans, including differences in funding, eligibility, investment risk, plan management, plan costs, tax considerations, company eligibility and suitability.
D. Individual Retirement Savings Vehicles

1. IRA
2. Deferred Annuity
3. Taxable Accounts

Learning Objectives
- Describe and differentiate between Traditional IRAs and Roth IRAs, including the taxation of contributions.
- Evaluate the choice between using a Traditional or Roth IRA.
- Describe the benefits, cost, guarantee riders, and suitability of deferred annuities in the accumulation phase.
- Describe the benefits, limitations, and tax considerations of taxable accounts.
- Evaluate the optimal individual retirement plan for a client based on goals, tax, and estate considerations.

E. Tax Considerations of Plan Contributions

1. Employer tax savings
2. Employee tax savings
3. Household tax savings

Learning Objectives
- Describe the tax benefits of contributions to employers, employees, and households of all types of plans.
- Evaluate plan choices and options based on client goals and tax considerations.

F. Distribution Taxation Rules

1. Section 72(t) Early Withdrawal Penalty
2. Required Minimum Distributions
3. ERISA Qualified Plans
   a. Annuity requirements
   b. Lump-sum distributions
      i. Net Unrealized Appreciation
      ii. Pre-1974 Capital Gains
4. Qualified Domestic Relations Order (QDRO)
Learning Objectives

- Understand the applicability and exceptions of the early withdrawal penalty to all types of plans.
- Understand the concept and applicability of required minimum distributions.
- Know when required minimum distributions must begin and when they are due.
- Know the tax issues relating to calculate a client’s required minimum distribution.
- Describe the requirements and tax benefits of lump-sum distributions.
- Understand the tax implications of direct and indirect rollovers.
- Understand the benefits and disadvantages of rollovers.
- Know the plans available to receive rollover assets.
- Know the plans allowing in-service withdrawals and the taxation and rules regarding these withdrawals.
- Understand the advantages and disadvantages of plan loans, as well as the plans permitting plan loans, maximum loan amounts, payback periods, and the tax consequences of default.
- Define and understand the tax consequences of qualified domestic relations orders.

G. Retirement Income Management

1. Sources of retirement income
   a. Employer-sponsored retirement plan
   b. Personal savings
   c. Social Security
   d. Employment during Retirement

2. Retirement risks
   a. Longevity
   b. Mortality
   c. Investment
   d. Inflation
   e. Health/Healthcare
      i. Disability
      ii. Housing and special care needs
   f. Political/Policy
   g. Default
   h. Illiquidity
3. Retirement Risk Management Tools and Strategies
   a. Annuities
   b. Sustainable portfolio withdrawals
   c. Asset Allocation
   d. Bond strategies
   e. Reverse mortgage
   f. Long-term care insurance

Learning Objectives
- Understand and identify the various sources of retirement income available to a client.
- Develop methods to create sustainable retirement income from these sources based on the client's life expectancy and goals.
- Understand the implications of receiving social security while still employed.
- Understand and compute the taxation of social security benefits.
- Explain the risks retirees face during retirement.
- Understand and apply tools and procedures available to minimize these risks.
- Understand the use, advantages, and disadvantages of using annuities to create lifelong income.
- Understand the concept of sustainable withdrawal rates and its applicability in retirement income management.
- Describe and evaluate asset allocation during retirement.
- Describe and evaluate the advantages and disadvantages of using bond strategies to creating retirement income.
- Understand the requirements, costs, and suitability of reverse mortgages.
- Understand the benefits, cost, and suitability of long-term care insurance.
Employee Benefits (6%)  

**A. Equity Compensation Plans**  

1. Equity plans  
   a. Basic Knowledge  
      i. Current trends in employee compensation  
      ii. Regulatory and company restrictions  
      iii. Income tax implications  
         a. 83(b) election  
         b. AMT Incentive Stock Options (ISO)  
         c. Disqualifying dispositions  
         d. Holding period requirements  
   b. Types of Plans  
      i. Restricted stock  
      ii. Phantom stock  
      iii. Stock Appreciation Rights  
      iv. Employee Stock Purchase Plans  
      v. ISO  
      vi. Non-qualified Stock Options (NQSO)  

2. Planning opportunities and strategies  
   a. Diversification  
   b. Gifting  
      i. Family/friends  
      ii. Charity  
   c. Tax Planning (Federal and State)  
   d. Public vs. Private Companies
Learning Objectives

- Describe the current trends and issues relating to employee benefits.
- Describe and evaluate the effect of taxation and holding requirements of equity-style employee benefits.
- Describe and understand the different equity employee benefits available.
- Evaluate the restrictions and taxation of these benefits to the employee.
- Understand the differences between Incentive Stock Options (ISOs) and NQSOs, including differences in taxation at exercise and sale.
- Understand and evaluate the implications of strategies for timing exercise and sale of equity employee benefits.
- Understand the issues relating to diversification and planning relating to equity plans.
- Understand and apply tax planning techniques relating to employee benefits.
- Understand benefits available to employees of public and private companies.

B. Group Insurance (see Insurance Planning section E)

1. Group Life Insurance
   a. Types and basic provisions
      i. Group term
      ii. Group permanent
      iii. Dependent coverage
   b. Income tax implications
   c. Portability and Conversion analysis

2. Group Disability Insurance (see Insurance Planning section G)
   a. Types and basic provisions
      i. Short-term coverage
      ii. Long-term coverage
         a. Basic
      iii. Supplemental
   b. Definitions of disability
   c. Portability
   d. Income tax implications
   e. Integration with other income/other coverage
3. Group Medical Insurance (see Insurance Planning section I)
   a. Types and basic provisions
      i. Traditional indemnity
      ii. Managed care plans
         a. Preferred provider organization (PPO)
         b. HMO
         c. POS
      iii. High Deductible plans
      iv. Income tax implications
      v. COBRA
      vi. HIPAA
      vii. Continuation/Transition planning
      viii. Savings Accounts
         a. HSA
         b. MSA

4. Other Group Insurance (see Insurance Planning section K)
   a. Long-term care insurance
   b. Dental insurance
   c. Vision insurance

C. Non-qualified Deferred Compensation

1. Basic provisions and differences from qualified plans

2. Types of plans and applications
   a. Salary Reduction Plans
   b. Salary Continuation Plans

3. Income tax implications
   a. Constructive receipt
   b. Substantial risk of forfeiture
   c. Economic benefit doctrine
   d. IRC 409A compliance

4. Funding methods

5. Strategies

6. Distribution options/planning
   a. In service withdrawals
   b. Retirement
   c. Death
   d. Disability
Learning Objectives
- Compare and contrast qualified and non-qualified plans.
- Understand the differences in creditor claims and taxation of deferred compensation plans (i.e., Rabbi and Secular trusts).
- Evaluate the use of deferred compensation plans.
- Describe and understand the tax, security, and application of salary reduction and salary continuation plans.
- Understand the income tax ramifications of non-qualified deferred compensation.
- Understand the provisions and requirements of IRC Section 409(a).
- Describe and evaluate the distribution options of non-qualified deferred compensation.

D. Executive Compensation

1. Split dollar life insurance arrangements
2. Insider issues
3. Golden parachute payments
4. Golden handcuff payments
5. Golden coffin payments
6. Severance agreements
7. Legal and political issues

Learning Objectives
- Understand the implications of insider knowledge.
- Describe the different “Golden” executive payment arrangements and severance agreements, including the taxation of these arrangements.
- Understand the legal and political issues relating to executive compensation methods.
Estate Planning (12%)

A. Fundamentals of Estate Planning

1. History of unified system
   a. Gift tax
   b. Estate tax
   c. Generation Skipping Transfer Tax

2. Fundamental Concepts
   a. Applicable credit amount
      i. Exemption equivalent
   b. Marital deduction
   c. Annual exclusion
      i. Qualifying transfers
      ii. Crummey powers
   d. Basis step-up (IRC Section 1014)
      i. Income in respect of a decedent
      ii. Gifts reverting back to the original owner which were transferred within one year of death

3. Intestacy

4. Probate

5. Impact of property ownership and beneficiary designations

Learning Objectives

- Describe the unification of the estate tax and gift tax systems.
- Identify the applicable credit for estate tax, and gift tax purposes.
- Identify two unlimited deductions that apply for both estate and gift tax purposes.
- Explain the use of the unlimited marital deduction.
- Identify and describe the common ways that taxpayers make use of the unlimited marital deduction, with specific reference to the tax consequences and requirements of these techniques.
- Explain the requirements for use of the annual exclusion for gift tax purposes.
- Describe how a Crummey Power can qualify a gift for the gift tax annual exclusion.
- Explain the requirements for use of the annual exclusion for generation skipping tax purposes.
- Describe the limitations on the use of the Crummey Power to qualify a gift for the generation skipping annual exclusion.
- Describe the concept of the Section 1014 step up in basis rule.
- Identify assets that will not receive a step-up in basis under Section 1014.
- Discuss the purpose of, and the general rules concerning disposition of property under the intestacy system.
- Describe the purpose of probate, its advantages and disadvantages, and methods of avoiding probate.
• Describe the five basic forms of property ownership, and identify the tax consequences upon transfer (during lifetime or death) for the donor and donee.
• Explain the consequence of beneficiary designations on the probate process.

**B. Estate Planning Documents**

1. Wills
2. Revocable trusts
3. Healthcare power of attorney
4. Living will
5. Durable power of attorney

**Learning Objectives**

• Describe the purpose of a will, and identify the important components of a will.
• Explain how Revocable Trusts are used in the estate planning process, with particular emphasis on the tax implications of using such trusts.
• Explain the difference between a durable and non-durable power of attorney.
• Explain the purpose of a healthcare power of attorney.
• Explain the purpose of a living will.
• Compare the difference between a living will and a healthcare power of attorney.
• Identify and describe the HIPAA provisions that should be included in a Health Care Power of Attorney.

**C. Trusts (Types, features and taxation)**

1. Inter vivos and testamentary
2. Revocable and irrevocable
3. Grantor
4. Marital
5. Choice of fiduciary
6. Timing of distributions to beneficiaries
7. Powers of appointment
   a. General
   b. Limited
Learning Objectives

- Describe the planning uses and applications of inter vivos and testamentary trusts.
- Describe the income, estate, gift, and generation skipping transfer tax consequences resulting from the use of inter vivos and testamentary trusts.
- Discuss and contrast the uses and planning applications of revocable and irrevocable trusts.
- Discuss the income, estate, gift, and generation skipping transfer tax consequences resulting from the use of revocable and irrevocable trusts.
- Identify the items that will cause a trust to be classified as a grantor trust.
- Discuss the gift, estate, and generation skipping transfer tax consequences of various items that will cause a trust to be classified as a grantor trust for income tax purposes.
- Explain the planning applications and uses of grantor trusts.
- Describe the types of inter vivos and testamentary trusts that will qualify for the estate and gift tax marital deduction.
- Identify the factors that are important in appointing a fiduciary for an estate or trust.
- Describe the duties of a Trustee or Executor of an estate.
- Analyze the tax consequences of the timing of distributions from trusts and estates to beneficiaries.
- Describe the difference between a general and limited power of appointment with specific reference to the tax consequences of using each type of power.
- Identify situations when it may be appropriate to use a power of appointment in a trust.

D. Basic Estate Planning Process

1. Data gathering
   a. Financial information
   b. Existing documents and plan

2. Client interview and communication
   a. Impact of family values (topic not currently tested, will be included on future exams)

3. Prepare estate planning balance sheet

4. Estate Tax Calculations
   a. Federal estate tax calculation
   b. IRD
   c. State estate tax
   d. Gross Up Rule for gift taxes paid within 3 years of death
   e. Treatment of adjusted taxable gifts

5. Determining liquidity needs

6. Recommend strategies
7. Implementation

8. Periodic review

**Learning Objectives**

- Discuss the importance of communication among and between family members in the estate and tax planning process.
- Discuss the impact of family values on the estate planning process, and how this impacts tax minimization strategies. (topic not currently tested, will be included on future exams)
- Identify and describe the assets that are included in the gross estate of a decedent.
- Discuss the requirements for deducting debts from the gross estate of a decedent.
- Identify expenses that are deductible from the gross estate.
- Identify expenses that may be deductible on the estate or final income tax return and discuss the issues to consider when deciding where to deduct the expense.
- Calculate the federal estate tax.
- Calculate the income tax deduction attributable to IRD included in the estate of a decedent.
- Describe the common methods that states use to assess an estate or inheritance tax.
- Discuss the impact of inter vivos gifting strategies on the estate tax calculation of a decedent.
- Determine liquidity needs for a client’s estate.
- Given a set of client facts, analyze the client’s situation and recommend the most appropriate planning options for that client.
- Describe the team approach to financial planning.

**E. Basic Estate Planning Strategies**

1. Credit Shelter Trust to maximize use of applicable credit amount

2. Marital Trust or outright transfer to surviving spouse

3. Disclaimers
Learning Objectives

- Describe the benefits, uses, and planning implications of inter vivos and testamentary credit shelter trusts.
- Contrast the benefits of using an inter vivos vs. testamentary credit shelter trust.
- Identify the requirements that must be met to obtain the gift and estate tax marital deduction.
- Recommend the most appropriate technique for using credit shelter and marital trusts given a set of client facts.
- Identify the requirements for a valid disclaimer.
- Discuss the income, gift, estate, and generation skipping transfer tax consequences of using disclaimers in estate planning.
- Discuss the use of disclaimers in multi-generational estate planning situations.

F. Gifting Strategies

1. Annual exclusion gifts
2. Present versus future interest
3. Payment of medical or education expenses
4. Gift Splitting
5. Use of the applicable credit

Learning Objectives

- Explain the purpose and use of the annual gift tax exclusion.
- Compare the advantages and disadvantages of transferring property through use of the annual exclusion.
- Define the requirements necessary to qualify for use of the annual exclusion.
- Distinguish between present and future interest gifts, with specific reference to gift, estate, and generation skipping transfer tax consequences.
- Describe the purpose of the Crummey power.
- Analyze the impact of a Crummey provision from a gift and generation skipping transfer tax perspective.
- Identify the purposes, uses, and planning implications of Section 2503(b) and 2503(c) trusts, and how the annual exclusion is applied to these structures.
- Describe qualified transfers for gift and generation skipping transfer tax purposes, and identify the requirements for classifying a transfer as a qualified transfer.
- Define the requirements for gift splitting.
- Calculate the benefit of using the applicable gift tax credit for inter vivos gifts as compared to using the credit at death.
- Identify transfer techniques that do not require the payment of gift taxes, or the use of the annual exclusion or applicable gift tax credit.
G. Life Insurance Planning

1. Gift, estate, and generation skipping transfer tax consequences of using life insurance.

2. Uses of life insurance in wealth transfer planning
   a. Hedging against financial planning risks
   b. Hedging against tax risks

3. Irrevocable Life Insurance Trusts (ILITs)

4. See, also, types of life insurance in other parts of this outline

**Learning Objectives**
- Identify the income, gift, estate, and generation skipping transfer tax consequences of using life insurance.
- Explain the 3-year rule of IRC Section 2035 and its impact on transfer tax planning with life insurance.
- Discuss the use of life insurance to hedge against financial planning risks, such as the loss of breadwinner income, education funding, etc.

H. Advanced Estate Planning Strategies

1. Family entities

2. Grantor Retained Annuity Trusts (GRATs)

3. Qualified Personal Residence Trusts (QPRTs)

**Learning Objectives**
- Describe the estate planning benefits and risks associated with using family entities.
- Compare the benefits of family entities to the benefits derived from other advanced techniques, such as GRATs, QPRTs, and Installment Sales.
- Explain the purpose of, and usage of a GRAT.
- Discuss the income, gift, estate, and generation skipping transfer tax issues associated with the use of a GRAT.
- Identify the purpose and estate planning uses of QPRTs.
- Discuss the income, gift, estate, and generation skipping transfer tax issues associated with the use of a QPRT.
I. Generation Skipping Transfer (GST) Tax

1. GST planning
   a. Skip person
   b. Direct skip
   c. Taxable distribution
   d. Taxable termination

2. GST exemption

3. GST annual exclusion
   a. Outright transfers
   b. Qualified transfers
   c. Transfers in trust (transfers of a future interest)

4. Special Exceptions
   a. Predeceased parent exception (topic not currently tested, will be included on future exams)

Learning Objectives

- Describe the purpose of the Generation Skipping Transfer Tax (GSTT).
- Define a skip person.
- Analyze situations that may trigger the imposition of the GSTT, and describe planning techniques that may help minimize or eliminate the imposition of the GSTT.
- Explain how the GSTT impacts direct transfers to skip persons.
- Discuss how the GSTT is imposed on transfers in, and from, trusts.
- Analyze the use of the GSTT exemption as a means of minimizing tax.
- Identify situations in which the GSTT can be avoided through use of a GSTT annual exclusion.
- Determine the similarities and differences between the gift and generation skipping transfer tax annual exclusion.
- Discuss the special exceptions that apply to the GSTT (such as the Predeceased parent exception), and analyze planning applications of these rules.
J. Closely-held Business Issues

1. Valuation issues

2. Family succession planning

3. Active vs. non-active owners

4. Buy-sell agreements
   a. Entity (Redemption) Agreement
   b. Cross Purchase Agreement
   c. Wait and See buy sell
   d. Common terms
   e. Funding options

5. Special valuation rules of IRC Chapter 14 and their application to FLPs and LLCs (topic not currently tested, will be included on future exams)

Learning Objectives

- Discuss the use of minority, marketability, blockage, and time-based discounts in the estate planning process.
- Identify the advantages of succession planning for family business entities.
- Determine the needs of family members who are active and who are not active in the family business, and how those needs can be addressed in business succession and estate plans.
- Compare the advantages, disadvantages, and uses of the various types of buy-sell agreements, with particular emphasis on the income, gift, estate, and generation skipping transfer tax consequences of the various techniques.
- Differentiate the terms that are commonly incorporated into buy-sell agreements.
- Outline the various funding options for buy sell agreements, with particular emphasis on the advantages and disadvantages of using each option.
- Discuss the special valuation rules of IRC Chapter 14 that apply to FLP and LLC discounts. (topic not currently tested, will be included on future exams)
- Identify situations in which Chapter 14 will be invoked, and discuss how the tax consequences can be avoided. (topic not currently tested, will be included on future exams)
K. Incapacity Planning

1. Use of powers of attorney in planning for capacity

2. Hedging incapacity risk
   a. Disability insurance
   b. Long-term care insurance

Learning Objectives
- Describe how financial and health care powers of attorney can assist in the incapacity planning process.
- Discuss the use of insurance to hedge against the risk of incapacity, with particular reference to disability and long-term care insurance.
- Identify the risks that a client will face if he or she becomes incapacitated.

L. Postmortem Estate Planning

1. The Qualified Terminable Interest Property (QTIP) Election

2. Income and estate tax elections of the executor

3. Section 303 Redemptions

4. Section 6166 Deferrals of estate tax

Learning Objectives
- Summarize the steps necessary for the executor of the estate to use the QTIP election.
- Discuss how various expenses can be deducted for estate tax purposes, and identify those expenses that the executor can elect to take on either the estate tax or income tax return.
- Analyze expense deduction elections to maximize client benefits.
- Describe the requirements for, and uses of Section 303 redemptions.
- Discuss how a Section 303 redemption can be incorporated into a buy-sell agreement.
- Describe the requirements for, and uses of Section 6166 deferrals.
M. Estate Planning for Non-U.S. Citizens

1. Options for the non-citizen spouse
   a. Limitations on marital deduction
   b. Qualified Domestic Trusts (QDOTs) (topic not currently tested, will be included on future exams)

**Learning Objectives**
- Outline the advantages and disadvantages of obtaining US citizenship from an income, gift, estate, and generation skipping transfer tax perspective. (topic not currently tested, will be included on future exams)
- Summarize how use of the super-annual exclusion for a non-citizen spouse can facilitate estate planning and wealth transfer goals.
- Discuss the requirements necessary to establish a QDOT trust, and identify the tax implications of using this technique. (topic not currently tested, will be included on future exams)

N. Estate Planning for Non-traditional Relationships

1. Children of another relationship
2. Cohabitation
3. Adoption
4. Same-sex relationships

**Learning Objectives**
- Evaluate planning techniques that can be used to protect the expectancy interest of children from prior marriages.
- Evaluate planning techniques to protect the property interests regarding cohabitation.
- Characterize the legal consequences of adopting another individual.
- Explain the tax benefits that can be obtained through adoption.
- Identify the special issues presented by same-sex relationships from a gift, estate, and generation skipping transfer tax perspective.
Charitable Planning (6%)

A. Charitable Gifts

1. Form of Gifts
   a. Cash
   b. Property
   c. Real estate
      i. Fee Simple
      ii. Remainder gifts of residences
      iii. Conservation easements
   d. Personal property
      i. Art and jewelry
      ii. Automobiles
      iii. Clothing and qualified housing items
      iv. Related use tax matters
   e. Ordinary income property
      i. Special exception for inventory given to infants and needy
   f. Appreciated Property of Capital Assets
      i. Publicly held Securities
      ii. Privately held securities
      iii. Short-term vs. long-term
   g. Life Insurance
      i. Wealth Replacement Trust
      ii. Beneficiary designation
         a. Revocable vs. irrevocable
      iii. Life settlement (old policies)
      iv. Premium financing/life settlement programs

Learning Objectives

- Compare the income tax rules of cash gifts and tangible personal property.
- Evaluate the financial planning uses of charitable gifts of remainder interests in personal residences and farms, and conservation easements.
- Define the valuation of, and the limits imposed on the deductibility of charitable gifts of remainder interests and conservation easements.
- Identify the appraisal and reporting requirements necessary for charitable gifts of various types of tangible personal property.
- Determine the advantages gifting long-term capital gain property to charity.
- Explain the uses of life insurance in charitable giving and in replacing wealth for family members.
B. Charitable Trusts

1. Types
   a. Charitable Lead Trusts
      i. Unitrusts
      ii. Annuity Trusts
      iii. Grantor vs. Non Grantor
   b. Charitable Remainder Trusts
      i. Unitrusts
         a. Net Income with Makeup Charitable Remainder Unitrust (NimCRUT)
         b. Flip Charitable Remainder Unitrust (FLIP)
         c. Net Income Charitable Remainder Unitrust (NICRUT)
      ii. Annuity Trusts
   c. Pooled Income Funds

2. Charitable Trust Planning
   a. Inter vivos
   b. Testamentary
   c. Applicable federal rates (AFR)
   d. Impact of interest rate on remainder interest
   e. Current trends

3. Other Charitable Vehicles
   a. Private Foundations
   b. Donor Advised Funds
   c. Charitable Gift Annuities

Learning Objectives

- Summarize the income tax consequences of establishing grantor and nongrantor charitable lead trusts.
- Identify the requirements necessary to set up a grantor CLT.
- Discuss the financial planning uses of Charitable Lead Trusts.
- Identify the requirements necessary to set up a Charitable Remainder Trust.
- Summarize the planning applications of various forms of CRTs.
- Describe the differences between Pooled Income Funds and CRTs, and discuss the planning applications of Pooled Income Trusts.
- Analyze the tax and planning benefits of inter vivos and testamentary charitable planning.
- Interpret the impact of interest rate changes on the use of the various forms of Charitable Remainder Trusts, Charitable Lead Trusts, and Pooled Income Funds.
- Identify which charitable trusts are better to use in low interest rate environments, which trusts are better to use in high interest rate environments, and which trusts are not significantly impacted by changes in interest rates.
- Describe the planning uses of private foundations.
- Identify taxation and compliance requirements for private foundations.
• Explain how other charitable planning techniques can be incorporated with the use of a private foundation to better serve client charitable and family planning objectives.
• Compare Donor Advised funds to private foundations, and discuss their advantages and disadvantages.
• Explain how a Donor Advised Fund can be used in conjunction with a Private Foundation to better manage a client’s charitable transfers.
• Justify the planning uses of charitable gift annuities, and identify the elements that impact the price of the annuity.

C. Limitations on the Use of Charitable Planning

1. Estate and Gifts Issues
   a. Qualified Charitable Gifts and Qualified Charitable Transfers at Death
      i. Statutory requirements

2. Income Tax Issues
   a. Transfers to Qualified Section 501(c)(3)
   b. Percentage Limitations for Individuals
      i. 50% Limit
      ii. 30% Limit
      iii. 20% Limit
   c. Carry forward rules
   d. Foreign charities
   e. Income tax limitations for corporations
   f. Income tax limitations for trusts and estates

Learning Objectives

• List the requirements necessary to obtain the estate tax charitable deduction.
• Understand the gift tax charitable exclusion.
• Discuss the limitations imposed on lifetime transfers to charitable organizations.
• Identify the appropriate income tax deduction for gifts to charitable organizations.
• Define the carry-forward rule, and describe how it can be used in charitable gift planning.
• Identify methods that can be employed to make charitable gifts to foreign charities.
• Compare the income tax charitable deduction for individuals and for corporations.
• Discuss limitations that apply on charitable gifts made by Trusts and Estates.
Other Personal Financial Planning Issues (4%)

A. Housing

1. Determine objectives
2. Assess financing methods
3. Integrate consequences into personal financial plan

Learning Objectives
- Define client housing goals.
- Understand and analyze housing financing options.
- Explain fees associated with housing financing.

B. Education Planning

1. Define needs
2. Assess potential for financial aid
3. Assess funding strategies
4. Assess funding methods
   a. 529 Plan Accounts and Qualified Tuition Programs
   b. Coverdell Education Savings Accounts
   c. Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA)
   d. Savings bonds
   e. Taxable accounts

Learning Objectives
- Understand education financing options and cost of education.
- Evaluate education savings plans depending on client goals.
- Comprehend asset ownership of education assets.

C. Divorce

1. Determine income needs
2. Assist in evaluation of splitting of assets and liabilities
3. Assess financial planning and tax consequences
4. Financial planning for spouses as individuals
**Learning Objectives**
- Understand community and separate property laws in each state.
- Evaluate division of assets and income.

**D. Closely Held Business**

1. Form of entity
2. Valuation
3. Potential liquidity events
4. Income/Cash flow
5. Liability issues
6. Maintaining and increasing value

**Learning Objectives**
- Understand business value and valuation methods.
- Recognize liability exposure of business owners depending on business type.
- Evaluate owner options of selling or phasing out business responsibilities.
- Understand the tax consequences of a business sale.

**E. Job Change and Loss**

1. Assess resources and needs
2. Assess short-term and long-term impact on financial plans

**Learning Objectives**
- Understand and evaluate unemployment benefits and options.
- Evaluate financial impact of job loss and the effect on overall planning.

**F. Vacation Homes**

**Learning Objectives**
- Quantitatively and qualitatively evaluate vacation home options.
G. Other Accumulation Needs

1. New business
2. Large purchase
3. Extended trip

**Learning Objectives**
- Understand and evaluate business start-ups.

H. Special Needs Planning

1. Support for parents and others
2. Support for disabled children and others

**Learning Objectives**
- Evaluate options for dependent care.
- Quantitatively and qualitatively evaluate vacation home options.