



# Statement on Standards in Personal Financial Planning Services

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# Statement on Standards in Personal Financial Planning Services

(To supersede the Statement on Responsibilities in Personal Financial Planning Practice [AICPA, *Professional Standards*, PFP Sec. 100])

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# Foreword

The Personal Financial Planning Executive Committee (PFP EC) has issued Statement on Standards in Personal Financial Planning Services No. 1 (the standard) to provide guidance to members and a framework for delivering PFP services with the highest levels of integrity, professionalism, objectivity, and competence so that a CPA financial planner can serve the best interests of his or her clients and the public. The PFP EC is the senior committee of the AICPA designated to promulgate enforceable standards of PFP practice.<sup>1</sup>

The standard applies to all members providing PFP services regardless of the jurisdictions in which they practice. Interpretations of the standard may be issued by the PFP EC as guidance to assist in understanding and applying the standard. The PFP EC interpretations are recommendations on the application of the standard. The standard and its interpretations are intended to complement other laws, regulations, and professional standards of PFP practice.

The standard is written in as simple and objective a manner as possible. However, by their nature, practice standards provide for an appropriate range of behaviors and need to be interpreted to address a broad range of personal and professional situations. Accordingly, enforcement of these rules, as part of the AICPA's Code of Professional Conduct "General Standards Rules" (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001), and "Compliance with Standards Rules" (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) as well as paragraphs .02-.05 of the "Application of the AICPA Code" (AICPA, *Professional Standards*, and ET sec. 0.200.020), will be undertaken on a case-by-case basis.

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1. Per AICPA Bylaw Section 360R, *Implementing Resolutions Under Section 3.6 Committees*, the Personal Financial Planning Executive Committee (PFP EC) is an AICPA senior committee. The PFP EC is designated as a body that may promulgate technical standards under "General Standards Rules" (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and "Compliance with Standards Rules" (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001).

# Statement on Standards in Personal Financial Planning Services

## Scope

1. The Statement on Standards in Personal Financial Planning Services No. 1 (the standard) addresses the responsibilities of AICPA members (members) who are described in paragraph 4 that follows. The standard applies when personal financial planning (PFP) services are provided, even if part of another engagement.
2. The standard establishes the applicable standards for members with regard to PFP engagements. (Ref: par. A1)

## Nature of PFP services

3. PFP is the process of identifying personal financial goals and resources, designing financial strategies, and making personalized recommendations (Ref: par. 12) (whether written or oral) that, when implemented, assist the client in achieving these goals. This process may include implementation of recommendations or monitoring or updating the engagement. PFP services encompass one or more of the following activities:
  - a. Cash flow planning
  - b. Risk management and insurance planning
  - c. Retirement planning
  - d. Investment planning
  - e. Estate, gift, and wealth transfer planning
  - f. Elder planning
  - g. Charitable planning
  - h. Education planning
  - i. Tax planning

## Applicability

4. The standard applies when a member provides PFP services as defined in paragraph 12, and (Ref: par. A2)
  - a. represents to the public or clients that the member provides PFP services,
  - b. engages in activities that would require registration as an investment adviser under federal or state law<sup>1</sup>, or
  - c. sells a product as a result of an engagement.
5. The standard does not supersede other applicable AICPA professional standards, such as (Ref: par. A2-A3, A11)
  - a. the Statement on Standards for Accounting and Review Services (SSARS) No. 6, Reporting on Personal Financial Statements Included in Written Personal Financial Plans (AICPA, Professional Standards, AR sec. 600) with regard to the compilation of personal financial statements;
  - b. the Statements on Standards for Tax Services (SSTs) with regard to tax services; and
  - c. the Statement on Standards for Valuation Services (SSVS) No. 1, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset* (AICPA, Professional Standards, VS sec. 100) with regard to valuation services.

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1. Reference [The CPA's Guide to Investment Advisory Business Models](#) published by AICPA.

## Objective

6. The standard provides authoritative guidance and establishes enforceable standards for members who provide PFP services to assist them in fulfilling their professional responsibilities.

## Authority of the statement

7. The standard contains requirements designed to enable the member to meet the stated objective. It also includes related guidance in the form of application and other explanatory material that provides context relevant to a proper understanding of the standard and definitions.
8. The requirements of the standard are expressed using the word *should*. If a standard provides that a member “should” perform an action, then unless prevailing facts and circumstances dictate otherwise, this action is required. If a standard provides that a procedure or action is one that the member “should consider,” the consideration of the procedure or action is required, whereas carrying out the specified procedure or action is not. The professional requirements of the standard are to be understood and applied in the context of the explanatory material that provides guidance for their application.
9. The “Application” section and other explanatory material provide further explanation of the requirements and guidance for carrying them out.
10. The words *may*, *might*, and *could*, among others, are used to describe actions and procedures that are recommended but not required. Although such guidance does not, in itself, impose a requirement, it is relevant to the proper application of the requirements.
11. The standard includes, under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of the standard. These are provided to assist with the consistent application and interpretation of the standard and are not intended to override definitions that may be established for other purposes, whether by law or regulation.

## Definitions

12. For purposes of the standard, the following terms have the meanings attributed:

**Personal financial planning services.** The process of identifying personal financial goals and resources, designing financial strategies, and making personalized recommendations that, when implemented, assist the client in achieving these goals. (Ref: par. 3)

**Personal financial planning engagement.** An engagement in which a member provides PFP services and the standard applies. (Ref: par. 3-4)

**Implementation engagement.** A PFP engagement that involves assisting the client in taking action on recommendations developed during the PFP engagement.

**Monitoring engagement.** A PFP engagement that involves tracking and communicating the client’s progress in achieving established PFP goals.

**Updating engagement.** A PFP engagement that involves revising the client’s existing financial plan and financial planning recommendations as the member and client agree upon.

**Personalized recommendation.** Financial advice directing a client to take action based on the client’s personal financial information disclosed to the member. (Ref: par. 3)

## Requirements

### General professional responsibilities

13. The member should read the entire standard, including its application and other explanatory material, to understand its objective and apply its requirements properly.
14. The proper application of the requirements established by the standard is expected to provide a sufficient basis for the achievement of the objective. However, because circumstances vary widely and all such circumstances cannot be anticipated, the member should consider whether, due to the existence of particular matters or circumstances, procedures in addition to those required by the standard are needed to meet the stated objective.
15. The member must comply with each requirement of the standard unless,
  - a. in the circumstances of the engagement, the requirement is not relevant because it is conditional, and the condition does not exist.
  - b. the member judges it necessary to depart from a requirement. In such circumstances, the member should perform alternative procedures to achieve the intent of that requirement and document the justification for that departure.
16. The member should consider applicable interpretive publications when providing PFP services. (Ref: par. A5)

### Independence and PFP services

17. If PFP services are performed for a client for which the member or member's firm also performs an "attest engagement" (AICPA, Professional Standards, ET sec. 0.400.04), the member should meet the requirements of the "Nonattest Services" subtopic (AICPA, Professional Standards, ET sec. 1.295) under the "Independence Rule" (AICPA, *Professional Standards*, ET sec. 1.200.001), so as not to impair the member's independence with respect to the client.

## Responsibilities of members in PFP engagements

18. The member should comply with relevant ethical requirements. (Ref: par. A7)
19. The member should possess a level of knowledge of PFP principles and theory, and a level of skill in the application of such principles, that will enable him or her to (Ref: par. A8)
  - a. Identify client goals and objectives;
  - b. Gather and analyze relevant information;
  - c. Consider and apply appropriate planning approaches and methods; and
  - d. Use professional judgment when developing financial recommendations.
20. The member should evaluate whether any conflicts of interest exist with regard to the engagement as follows: (Ref: par. A9-A10)
  - a. If the member determines conflicts of interest exist, the member should determine whether the engagement can be performed objectively.
  - b. If the member determines the engagement can be performed objectively, the member should disclose all known conflicts of interest and obtain consent as required under the "Conflicts of Interest" interpretations (AICPA, *Professional Standards*, ET sec. 1.110.010 and 2.110.010) under the "Integrity and Objectivity Rule" (AICPA, *Professional Standards*, ET sec. 1.100.001 and 2.100.001).
  - c. If the member determines that the engagement cannot be performed objectively, the engagement should be terminated.
21. The member should comply with applicable federal, state, and other laws and regulations. The member should comply with professional standards applicable to the PFP engagement unless superseded by laws or regulations. When there is a conflict between the standard and laws or regulations, the laws or regulations will prevail unless less stringent than the standard. (Ref: par. A11-A12)
22. Prior to beginning the engagement, and throughout the engagement as circumstances dictate, the member should disclose in writing all compensation the member and the member's firm or affiliates will receive for services rendered or products sold (Ref: par. A6, A13). The disclosure should include
  - a. the method of compensation, including the impact of indirect compensation;
  - b. the amount of compensation;
  - c. the time period over which compensation will be received; and
  - d. the compensation, including noncash benefits, received by the member for referrals to other providers.
23. If compensation alternatives are offered, the member should disclose the differences in these alternatives in writing.

## Planning the PFP engagement (Ref: par. A14-A15)

24. The member should document and communicate to the client the scope and nature of services to be provided and disclose the member's agreed upon compensation for such services. This communication should be documented in the file and include descriptions of the following when applicable to the engagement:
  - a. Engagement objectives
  - b. Scope of services to be provided
  - c. Roles and responsibilities of the member, client, and other service providers
  - d. Timing of the engagement
  - e. Scope limitations and other constraints
  - f. Conflicts of interest (Ref: par. 20)
  - g. Responsibility, or lack thereof, for helping the client implement planning decisions
  - h. Responsibility, or lack thereof, for monitoring the client's progress in achieving goals
  - i. Responsibility, or lack thereof, for updating the plan and proposing new action
25. The member should evaluate the appropriateness of the original engagement as the engagement proceeds and document and communicate needed changes to the client.
26. If the member is aware of a service needed to complete the engagement and does not, or will not, provide that service, the member should limit the scope of the engagement accordingly and recommend that the client engage another service provider for that service in writing.
27. If the client declines to engage another service provider for services identified in paragraph 26, the member should consider whether this limitation impairs the ability to provide PFP services:
  - a. If the member determines that the ability to meet the standards established by the standard is impaired, the member should terminate the engagement in writing.
  - b. If the member determines that the ability to meet the standards established by the standard is not impaired, the member should communicate in writing that this limitation could affect the conclusions and recommendations developed in the engagement.

## Obtaining and analyzing information

28. The member should use professional judgment when obtaining and analyzing relevant information necessary to develop recommendations based on the stated engagement objectives.
29. If the member is unable to collect sufficient relevant information to establish a reasonable basis for recommendations, the engagement scope may be restricted to those matters for which sufficient information is available. This scope limitation should be communicated to the client in writing, including that this limitation should be taken into account in the assessment of conclusions and recommendations developed.  
(Ref: par. A16)
30. If sufficient information does not exist to proceed as agreed, the member should terminate or modify the engagement through mutual agreement with the client. This engagement modification or termination should be communicated in writing.
31. When analyzing information obtained while performing the engagement, the member should
  - a. evaluate the reasonableness of estimates and assumptions that are significant to the plan;
  - b. use assumptions that are appropriate and consistent with each other; and
  - c. consider the interrelationship of various PFP activities (Ref: par. 3).

## Developing and communicating recommendations (Ref: par. A16-A20)

32. The member should establish a reasonable basis for PFP recommendations.
33. The member should develop recommendations derived from analyses of relevant information, client goals, and the client's overall financial circumstances. Even when an engagement addresses a limited number of personal financial goals, the member should consider the client's overall known financial circumstances.
34. The nature and extent of analyses and other procedures performed when establishing a basis for recommendations are affected by the scope and objectives of the engagement and should be documented.
35. The member should communicate to the client the assumptions and estimates that are significant to the recommendations. This should be documented and include the following:
  - a. A summary of the client's goals
  - b. Significant assumptions
  - c. Estimates
  - d. Recommendations
  - e. A description of limitations on the work performed
  - f. The recommendations in the engagement should contain qualifications to the recommendations if the effects of certain planning areas on the client's overall financial picture were not considered

## Implementation engagements (Ref: par. A21-A24)

36. The member should document his or her understanding of the implementation engagement, including the roles and responsibilities of the member, the client, and other service providers. This documentation should include the following:
  - a. A summary of the planning decisions being implemented
  - b. A summary of recommended actions to be taken
  - c. A description of limitations on the work performed in the implementation engagement
37. The member should communicate in writing the level of responsibility, if any, for the following:
  - a. Selecting and acquiring products
  - b. Selecting service providers
  - c. Establishing selection criteria
  - d. Coordinating or reviewing the delivery of services or products by other service providers
38. A member who is engaged to establish selection criteria should
  - a. identify those criteria that are required to accomplish the client's objectives, subject to any constraints that result from the client's circumstances or as identified by the client.
  - b. assist the client in evaluating the relative importance of criteria so that available alternatives can be compared.
39. A member who is engaged to participate in recommending products should
  - a. gather information that establishes a reasonable basis for determining whether a product meets the selection criteria.
  - b. communicate this evaluation in writing, along with product recommendations.

- c. disclose in writing any compensation received for recommending products.

40. A member who is engaged to assist the client in taking action on planning decisions developed in a PFP engagement in which the member did not participate should obtain an understanding of the planning decisions made.
41. All other relevant guidance under the standard relating to providing PFP services should be followed in an implementation engagement.

## Monitoring and updating engagements (Ref: par. A25-A28)

42. In a monitoring engagement, the member should document the nature and extent of the member's services, including
  - a. the frequency and time period of measuring the client's progress toward reaching the stated goals.
  - b. utilization of monitoring criteria that are appropriate to, and consistent with, the criteria used to establish the goals being monitored.
  - c. the criteria that are important to the achievement of the financial planning goals being monitored.
  - d. the member's evaluation of progress toward achieving the client's financial planning goals, including whether the client's existing financial plan and specific financial planning recommendations should be updated.
43. In an updating engagement, the member should document the nature and extent of the member's services, including
  - a. the determination of whether the goals, objectives, information, and assumptions used as a basis for existing planning recommendations are still valid.
  - b. the evaluation of the impact of revising recommendations on the client's ability to achieve other financial planning goals.

44. All other relevant guidance under the standard relating to providing PFP services should be followed in a monitoring or an updating engagement.

## Working with other service providers

45. When referring another service provider to a client, the member should
  - a. consider the professional qualifications of another service provider before referring the client to that service provider;
  - b. disclose, in writing, any compensation received for making such referrals; and
  - c. communicate, in writing, the extent to which the member will or will not evaluate the work performed by the service provider.

## Using advice provided by other service providers

46. When the member uses the advice of another service provider when carrying out the PFP engagement, the member should understand the impact of the service provider's advice.
47. If the member has evaluated the advice of the other service provider, and
  - a. if the member concurs with the other service provider's advice, the member need not communicate this concurrence to the client because concurrence is implied by its use, or
  - b. if the member does not concur with the other service provider's advice, the member should communicate this non-concurrence to the client in writing.

# Application material

## Scope

A1. The “Compliance with Standards Rules” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) requires an AICPA member who performs a PFP engagement to comply with standards promulgated by the Personal Financial Planning Executive Committee (PFP EC). The PFP EC develops and issues standards in the form of statements through a process that includes deliberation in meetings open to the public, public exposure of statements, and a formal vote. The standards are codified in AICPA *Professional Standards*. (Ref: par. 2)

## Applicability (Ref: par. 3-5)

A2. If any of the activities listed in paragraph 3 are provided as part of a PFP engagement, the activity is covered by the standard and should be considered in conjunction with the requirements set forth in the “Applicability” section (Ref: par. 4). In addition, depending on the nature of the service, other standards may apply (Ref: par. 5). For example, any personal income tax services provided as part of a PFP engagement are covered by the standard and are subject to the SSTs.

A3. Examples of activities not covered by the standard include the following: (Ref: par. 3-5)

- a. Tax advice: Advising a client regarding his or her income tax matters or gift and estate tax matters when PFP services as defined in paragraph 3 are not provided. These services are, however, subject to the SSTs.
- b. Valuation services: Any engagement that would be considered a valuation service under SSVS No. 1 when PFP services as defined in paragraph 3 are not provided. These services are, however, subject to SSVS No. 1.
- c. Business succession planning
  - i. Planning to prepare for a vacancy in a key position resulting from a sudden departure, disability, or death and no advice is given to an individual.
  - ii. Planning to prepare for the sale to another firm and no advice is given to an individual.
- d. Educational discussions or presentations covering PFP
  - i. A workshop presented to a group of company employees on a PFP activity (Ref: par. 3) that does not include personalized recommendations.
  - ii. A discussion with an individual that covers one or more PFP activities (Ref: par. 3) that does not result in a personalized recommendation.
- e. Mechanical computations
  - i. Computation of the current income tax deduction for a client’s contribution of assets to a charitable remainder trust.
  - ii. Computation of the current yield on a client’s investment portfolio.
  - iii. Computation of the gift tax on a transfer of an asset.

- A4. A member may identify and create an analysis of historical spending and income activity for a client as a purely mechanical computation, which would not be considered PFP services. However, extension of this analysis to future periods based on the judgment of the member that entails the use of assumptions and personalized recommendations regarding investing would be considered PFP services.

### General professional responsibilities

- A5. Interpretive publications are not standards on PFP practice. *Interpretive publications* are recommendations on the application of the standard in specific circumstances. An interpretive publication is issued under the authority of the PFP EC after all members have been provided an opportunity to consider and comment on whether the interpretive publication is consistent with the standard. (Ref: par. 16)

### Responsibilities of members in PFP engagements (Ref: par. 18-23)

- A6. The member is required to comply with the "Commissions and Referral Fees Rule" (AICPA, *Professional Standards*, ET sec. 1.520.001). (Ref: par. 22)
- A7. The member is subject to relevant ethical requirements relating to PFP engagements (Ref: par. 18). Ethical requirements consist of the AICPA Code of Professional Conduct, rules of state boards of accountancy from which the member holds a license, and applicable regulatory agencies that are more stringent. The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, which include the following:
- a. Responsibilities
  - b. The public interest
  - c. Integrity
  - d. Objectivity and independence
  - e. Due care
  - f. Scope and nature of services
- A8. The "General Standards Rules" (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) explains that professional competence means that a member shall "undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence." (Ref: par. 19)
- A9. The "Objectivity and Independence Principle" (AICPA, *Professional Standards*, ET sec. 0.300.050) states that objectivity is a state of mind. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free from conflicts of interest. (Ref: par. 20)
- A10. The member is required to comply with AICPA's Code of Professional Conduct "Conflicts of Interest" interpretations (AICPA, *Professional Standards*, ET sec. 1.110.010 and 2.110.010). (Ref: par. 20)

- A11. Laws, regulations, and professional standards applicable to engagements to perform PFP services include, but are not necessarily limited to, the following: (Ref: par. 21, A5)
- a. Investment Advisers Act of 1940; see Securities and Exchange Commission Interpretive Release IA-1092
  - b. Treasury Department Circular No. 230
  - c. State boards of accountancy
  - d. AICPA Code of Professional Conduct
  - e. Statements on Standards for Tax Services (SSTs)
  - f. Statement on Standards for Valuation Services (SSVS) No. 1
  - g. Statement on Standards for Consulting Services No. 1
  - h. Statements on Standards for Accounting and Review Services (SSARS) No. 6
  - i. Maintaining adequate data protection safeguards regarding a client's nonpublic personal information
  - j. Maintaining client confidentiality in accordance with the applicable rules of professional conduct and federal and state laws and regulations
- A12. Compliance with the AICPA Code of Professional Conduct depends primarily on the member's understanding and voluntary actions, secondarily on reinforcement by peers and public opinion, and ultimately on disciplinary proceedings, when necessary, against members who fail to comply with the rules. (Ref: par. 21)
- A13. The member is not required to follow a standard format when communicating or documenting communication.

### **Planning the engagement (Ref: par. 24-27)**

- A14. An understanding of the client may include understanding matters such as the client's family situation, commitment to the planning process, current cash flow and assets available, personal preferences, and relationships with other professionals. This understanding may be obtained through comprehensive information gathering or may result from knowledge gained during a long-term relationship with the client.
- A15. Additional services that require understanding and agreement by the client include the following:
- a. Implementing plan recommendations
  - b. Monitoring the client's progress in achieving goals
  - c. Updating recommendations

## Developing and communicating recommendations (Ref: par. 32-35)

- A16. Developing a reasonable basis for recommendations involves the following (Ref: par. 29):
- a. Collecting relevant quantitative and qualitative information. The nature and amount of information will depend on the scope and complexity of the engagement. This information may include, but is not limited to
    - i. the client's goals, existing financial situation, and available resources;
    - ii. nonfinancial factors, such as client attitudes, risk tolerance, family considerations, age, health, and life expectancy;
    - iii. external factors, such as estimates of inflation, taxes, economic conditions, legislative activity, investment markets, and interest rates; and
    - iv. reasonable estimates, projections, and assumptions furnished by the client, provided by other service providers, or developed by the member.
  - b. Analyzing the client's current situation as it relates to the client's goals and objectives and identifying strengths and weaknesses of the existing financial situation
  - c. Formulating, evaluating, and recommending appropriate strategies for achieving the client's goals after due consideration of appropriate alternatives.
- A17. The member's knowledge and experience also contribute to the basis for recommendations.
- A18. PFP recommendations are suggested actions developed to help the client achieve personal financial goals.
- A19. Recommendations are based on analyses and other procedures conducted prior to, and in preparation for, developing suggested actions.
- A20. The member should help the client prioritize recommended tasks that are essential to enabling the client to act on planning decisions.

### **Implementation engagements (Ref: par. 36-41)**

- A21. Implementation may include such activities as assisting the client in selecting other advisors, restructuring debt, obtaining new or updated estate documents, establishing cash reserves, preparing budgets, and selecting and acquiring specific investments and insurance products.
- A22. In those situations in which the member may be functioning in a fiduciary or agency relationship, state law will control.
- A23. The member may be engaged to assist the client in taking action on planning decisions, which may include the member doing one or more of the following:
  - a. Taking responsibility for the selection and acquisition of products<sup>1</sup>
  - b. Taking responsibility for the selection of service providers
  - c. Establishing selection criteria
  - d. Coordinating or reviewing the delivery of services or products by other service providers
- A24. Implementation is typically completed when products are acquired or services are rendered based on the recommendations developed during the PFP engagement.

### **Monitoring and updating engagements (Ref: par. 42-44)**

- A25. A member may be engaged to assist the client in tracking progress in achieving established PFP goals or revising an existing personal financial plan, or both.
- A26. The member may be specifically engaged by a client to provide monitoring services, updating services, or both. The member would typically have informed the client during a PFP engagement, in which planning recommendations are developed, that monitoring and updating are important elements of the financial planning process and that the member is not responsible for undertaking these services except by specific agreement with the client.
- A27. Monitoring and updating engagements are typically undertaken after implementation of actions and recommendations developed during a PFP engagement. Monitoring and updating engagements may be either separate or combined engagements.
- A28. Monitoring engagements vary in complexity, scope, and the nature and extent of assistance to be provided by the member. In other words, the member may undertake some or all of the monitoring services, coordinate or review monitoring services performed by other service providers, or monitor progress toward goals in a financial plan developed by other service providers.

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1. Members advising clients on the selection or acquisition of products (such as investments or insurance policies) should determine whether they meet the qualifications and licensing requirements established by applicable federal and state laws.

