

# Statement on Standards in Personal Financial Planning Services

## Frequently Asked Questions

### INTRODUCTION

This frequently asked questions document (FAQ) provides nonauthoritative guidance to assist with compliance with Statement on Standards in Personal Financial Planning Services (SSPFPS) No. 1 (the standard) (AICPA, *Professional Standards*, PFP sec. 100).

It should be used in conjunction with the standard, not as a substitute for it (see “Notice to Readers” at the end of this document). Paragraph references refer to the numbered paragraphs in the standard and application material of the standard.

This document was originally published in January 2014. New questions were added in January 2015, and include 11–13, 33–36, 38–49, and 53–56. New questions 19–20 were added in October 2015.

### APPLICABILITY

1. Why are the activities outlined in paragraph .03 of the standard possibly subject to both the SSPFPS and other AICPA standards?

**A:** The standard applies only to a member who provides PFP services as defined in paragraph .12. If, as part of the PFP engagement, the member performs an activity outlined in paragraph .03 of the standard—for example, tax planning—that activity is covered by other applicable standards, in this case, the Statement on Standards for Tax Services; but the entire engagement is covered by the SSPFPS.

2. Does the standard apply to a member who does not have the CPA Personal Financial Specialist (CPA/PFS) credential or other financial planning designation?

**A:** Yes. The standard applies regardless of certifications held by the member. Members should refer to paragraphs .03–.04 of the standard and the definitions in paragraph .12 to determine whether it applies. A member's certification has no bearing on the application of the standard other than as a consideration when determining whether or not the member is "holding out" as providing personal financial planning (PFP) services.

3. In connection with paragraph .04b of the standard, how do I know if I need to register as an investment adviser under federal or state law?

**A:** Refer to [The CPA's Guide to Investment Advisory Business Models](#). It provides guidance about when the Investment Advisers Act of 1940 and

similar laws adopted by the various states deem you to be providing investment advice.

4. Does the standard apply to a CPA who works for a non-CPA firm that engages in PFP or family office work?

A: The standard applies to the member, not a firm or organization. Therefore, the application of the standard must be considered at the individual member level. It does not matter in what form or in what organization the member practices.

5. If I do not put together a formal PFP engagement, have I provided PFP services subject to the standard?

A: A formal engagement is not necessary for you to be deemed to have provided PFP services. If you have made a personalized recommendation, then you may have provided PFP services regardless of the formality of the engagement and whether or not a plan or similar document is the result. You should refer to paragraphs .03–.04 and the definitions in paragraph .12 of the standard to determine if it applies.

6. If I am presenting a PFP seminar and I state that I recommend everyone present should have some type of investment plan with their assets allocated to diverse investment strategies, is this considered a personalized recommendation subject to the standard?

A: No. This is not a personalized recommendation as set forth by the standard, and, therefore, is not covered by the standard. In general, broad recommendations involving generally accepted investment theories do not constitute personalized advice.

7. I have written an article, newsletter, or other publication on a PFP topic. Does the standard apply in this case?

A: No. This is not a personalized recommendation as set forth by the standard, and, therefore, is not covered by the standard.

8. Am I subject to the standard when I calculate and illustrate to a client what the taxable gift amount might be if my client implemented a qualified personal residence trust (QPRT) and then show what the future estate tax liability may be in 10 years with and without a QPRT?

A: No. The standard does not apply because the engagement does not constitute a PFP service as defined in paragraph .12. Mechanical computations

are not covered by the standard as described in paragraphs .A3–.A4. However, this tax planning activity is covered by the Statement on Standards for Tax Services.

9. I provide guidance to a business owner in the preparation of business budgets in the operations of the business(es). The business owner routinely moves cash to and from his various entities and his personal accounts for a variety of cyclical business reasons. If I provide guidance on personal budgeting in conjunction with business budgets, does the standard apply?

A: No. If the information is furnished by the client and is merely a mechanical computation of the data and information and does not require professional judgment regarding assumptions, estimates, or recommendations, the standard does not apply.

10. I am a CPA who has obtained the CPA/PFS credential from the AICPA. On my letterhead, under my name, are the words “Certified Public Accountant–Personal Financial Specialist.” I advise clients that their assets should be diversified among various categories, including real estate, stocks, bonds, and mutual funds, with recommendations for specific allocations in each asset category, tailored for each client. I charge for this advice on an hourly basis. Does the standard apply?

A: Yes. The standard will apply because you are providing PFP services as defined in paragraph .12 and by using a specialty designation in financial planning, you are representing that you are providing PFP services. The compensation arrangement, in this case an hourly fee, has no bearing on the standard’s applicability. You should consult with legal counsel and review applicable requirements of the Investment Advisers Act of 1940 to determine if you are required to register under the act.

11. I am a member of the AICPA, but I am not a CPA. Does the standard apply to me?

A: Yes. The standard applies to a non-CPA AICPA member when the applicability requirements set forth in paragraphs .03–.04 of the standard are met. A member, associate member, or international associate of the AICPA is bound by the AICPA bylaws and Code of Professional Conduct; this includes both CPAs and non-CPAs. The “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310 and 2.310) requires members to comply with AICPA standards promulgated by bodies designated by Council.

12. I am not a member of the AICPA, but I am a licensed CPA in my state. Does the standard apply to me?

**A:** State boards of accountancy have broad authority over licensees who provide professional services to the public and determine whether a licensee has followed applicable professional standards under state laws and regulations. State boards may look to AICPA standards, including SSPFPS, when they evaluate whether a licensee has complied with applicable professional standards.

Members must consult the state board for an authoritative answer regarding how the state board might apply any particular AICPA standard.

- 13.** I am a CPA. I have a partner for financial planning who does the actual planning. We share the financial planning fees. The partner is not a CPA, and the partnership is not a CPA firm. I hold myself out as a financial planner to the public as part of my CPA firm, but I refer clients to the financial planning partnership for planning. Does the standard apply to me?

**A:** Yes. Because you have held out as a financial planner and by referring clients to your partner, you have made a personalized recommendation. Therefore, the standard applies.

**If you are not an AICPA member, refer to question 12.**

- 14.** The standard says it applies when I provide PFP services as defined in paragraph .12 and I represent to the public or clients that I provide PFP services. What constitutes examples of *representing to the public (or a client)* that I provide PFP services?

**A:** *Representing to the public or a client* takes place when a member (rather than a firm) takes an action that a client or the public could reasonably rely on to conclude that you provide PFP services. Examples would include the following:

- Advertisement that you provide PFP services or in which you solicit PFP engagements
- Reference on your business card to PFP services
- Placement of brochures or other client educational materials in the office describing your PFP services
- Inclusion in an engagement letter of a description of PFP services
- Classification in telephone book yellow pages under personal financial planning categories using your name
- Oral representation to a client or prospective client that you personally provide PFP services
- Solicitation of PFP engagements in any marketing materials that you use

- Indication of providing PFP services in client proposals that you execute
- Inclusion of skills listed in social media, such as LinkedIn
- Inclusion of PFP services offered by you on the firm’s website

**15.** Does the standard apply only if I specifically use the phrase *personal financial planning* services?

**A:** The standard is intended to be applicable when a member represents to the public or to clients that he or she provides PFP services as defined in paragraph .12, regardless of the terms used. This would include, but is not limited to, other similar terms such as the following:

- Personal financial consulting
- Personal financial services
- Comprehensive personal advisory services
- Holistic financial advisory services
- Investment advisory services
- Wealth adviser
- Personal financial adviser
- Fee only financial adviser
- Private client services
- Private wealth management

**16.** I am a CPA who uses a software program that summarizes the performance of mutual funds over various periods; categorizes funds by objective, performance, sales charges, and risk levels to inform accounting clients about mutual funds; provides them with a list of funds that meet their investment objectives; and provides monthly performance reports. I charge each client who asks for advice on mutual fund investments a fee of \$250 per quarter to render a report generated by the software. I do not describe the service as “personal financial planning.” Does the standard apply?

**A:** You should consult with legal counsel and review applicable requirements of the Investment Advisers Act of 1940 to determine if you are required to register under the act. If registration is required, then the standard applies. Reference [\*The CPA’s Guide to Investment Advisory Business Models\*](#), which provides guidance about when the Investment Advisers Act of 1940 and similar laws adopted by the various states deem you to be providing investment advice.

- 17.** I do not represent to the public or clients that I provide PFP-related services. Can I provide PFP services (the activities defined in paragraph .12 of the standard) without being subject to the standard?

**A:** Under those circumstances, the standard does not apply unless you are required to register as an investment adviser under federal or state law or if you sell a product as a result of the engagement. Note that if you describe your end product as a financial plan or something equivalent, you are representing that you do provide PFP services. You should consult with legal counsel and review applicable requirements of the Investment Advisers Act of 1940 to determine if you are required to register under the act. If registration is required, then the standard applies. Reference [\*The CPA's Guide to Investment Advisory Business Models\*](#), which provides guidance about when the Investment Advisers Act of 1940 and similar laws adopted by the various states deem you to be providing investment advice. Refer to questions 14 and 15 above.

- 18.** If a CPA firm promotes itself as providing PFP services, how is the member affected as it relates to the standard?

**A:** The standard is applied at the individual member level. When a firm represents that it provides PFP services, the member is not considered to be representing that he or she is providing those services, unless the member individually represents, or otherwise holds out, that he or she is providing PFP services to the client. If a sole practitioner firm represents that it provides PFP services, it is reasonable for the public to assume this representation is applicable to the member.

- 19.** I hold out as providing PFP services. My client has gone to a third-party financial adviser and has asked for my opinion of the planner's recommendations. I gave some specific suggestions with regard to the third-party plan but advised the client to go back to the third-party financial adviser for finalization and implementation of the plan. Does the standard apply to me in this situation?

**A:** Yes. You have held out as providing PFP services and made personalized recommendations as described in paragraph .04; therefore, the standard applies.

- 20.** I do not hold out as providing PFP services. During an interview for income tax preparation, my client asks me about health and elder planning for her elderly parents. I review various alternatives available to the client, including Medicaid and private care facilities, and based upon the information, I suggest a particular strategy. Does the standard apply to me in this situation?

**A:** No. You have not held out as providing PFP services; therefore, the standard does not apply. The AICPA Code of Professional Conduct applies,

including provisions on conflicts of interest, which need to be disclosed and informed consent obtained, and full and clear disclosure of a potential conflict of interest is required as described in paragraphs 20 and A6–A7 of the standard.

## SALE OF A PRODUCT

- 21.** A member who sells financial or investment products is subject to the standard with regard to any PFP service provided. When am I deemed to be selling a financial or investment product?

**A:** The mere possibility of receipt of compensation or remuneration, contingent upon client or related party decisions resulting from the engagement, constitutes “selling a product” for purposes of applying the standard. This includes, for example, referral fees and commissions or any other remuneration in cash or in kind.

- 22.** I recommend to clients that they invest in a particular investment program; however, I do not receive commissions from this recommendation. I do receive fees from the firm that markets that investment. Am I deemed to be selling a product?

**A:** Yes. Regardless of the terminology used, any remuneration received from a third party that directly or indirectly results from your referral constitutes selling a product. This remuneration is also subject to disclosure requirements.

- 23.** I perform estate planning services and send clients to several attorneys who compensate me for referrals, sometimes in cash and other times in noncash compensation. Am I deemed to be selling a financial or investment product for purposes of the standard?

**A:** Under paragraph .04c of the standard, if you make a referral to someone who sells an investment or financial product, the standard would apply to you. Compensation received for referrals to those who sell financial or investment products, regardless of the form of remuneration, is deemed to be selling a product for purposes of the standard.

However, a referral to another professional who does not sell an investment or financial products is not generally considered selling a product and therefore you would not be subject to the standard under paragraph .04c. When referring another service provider to the client, the member should disclose in writing any compensation for making such referral (AICPA, *Professional Standards*, PFP sec. 100, par. .45). You may be subject to the standard under paragraph .04a-b and to other AICPA disclosure requirements such as the “Commissions and Referral Fee Rule”(AICPA, *Professional Standards*, ET sec. 1.520.001), which prohibits a member from receiving a commission for

recommending or referring any product or service of a third party to certain types of attest clients.

The AICPA Code of Professional Conduct applies, including provisions on conflicts of interest, which need to be disclosed and informed consent obtained, and full and clear disclosure of a potential conflict of interest is required as described in paragraphs 20 and A6–A7 of the standard.

- 24.** I perform retirement planning services and refer clients to insurance brokers who compensate me, sometimes in cash and other times in noncash compensation. Am I deemed to be selling a financial or investment product for purposes of the standard?

**A:** Yes. Compensation received for referrals to those who sell financial or investment products, regardless of the form of remuneration, is deemed to be selling a product for purposes of the standard.

The AICPA Code of Professional Conduct applies, including provisions on conflicts of interest, which need to be disclosed and informed consent obtained, and full and clear disclosure of a potential conflict of interest is required as described in paragraphs 20 and A6–A7 of the standard. The “Commissions and Referral Fee Rule” prohibits a member from receiving a commission for recommending or referring any product or service of a third party to certain types of attest clients.

- 25.** I am a captive agent for a large insurance and investment products company. My customers know that I am an agent for the company and that I do not provide, nor represent that I provide, PFP advice. Am I subject to the standard?

**A:** No. Although you are receiving remuneration from the firm for which you are selling products, you are not subject to the standard because no PFP services are being provided. The AICPA Code of Professional Conduct applies, including provisions on conflicts of interest, which need to be disclosed and informed consent obtained, and full and clear disclosure of a potential conflict of interest is required as described in paragraphs 20 and A6–A7 of the standard.

- 26.** I sell insurance and get new customers over the phone. During the course of the initial phone call, I offer to send information on my background, which includes that I am a CPA/PFS credential holder and that I provide PFP services. Am I subject to the standard?

**A:** Yes. By either referring to your CPA/PFS credentials or mentioning that you provide PFP services, you are holding out to be a personal financial planner for purposes of the standard. If you verbally tell the client you will do

financial planning, you would then be subject to all the requisite disclosure rules required of the standard.

However, if you do not send the background information, and the customer is not aware of this information from other sources (for example, a website or Internet search), then for this customer, you would not be considered to be representing yourself as providing PFP services, and the standard would not apply.

**27.** I do not use my CPA/PFS credential in any way nor include this fact in any advertising. I do not display my certificate in my office where I meet customers. I am an agent for an independent general agency that sells life, disability, health, and property and casualty insurance. I provide PFP services to my customers and then implement the recommendations with various products that pay me a commission. Am I subject to the standard?

**A:** Yes. The standard applies to any PFP services provided because you sell a product as part of a PFP engagement, and you would be required to follow all the rules therein, including those requiring full and fair disclosure of compensation, whether paid directly or indirectly by the client.

**28.** My client has asked me to assist with the purchase of a risk management product. Am I subject to the standard?

**A:** If you are providing PFP services as defined in paragraph .12, then the standard will apply. If you are not providing PFP services as defined in paragraph .12, then the standard will not apply.

## **TAX SERVICES**

**29.** In addition to providing personal financial planning for clients, I also provide tax planning and compliance work for a number of tax-only clients. During these tax planning engagements, I often run present value computations to determine the impact of various alternatives (for example, depreciation methods and timing of tax deductions between years). Is this work subject to the standard?

**A:** No. Mechanical computations are not covered by the standard as described in paragraphs A3–A4. However, tax planning and compliance services are subject to the Statement on Standards for Tax Services.

**30.** I do not represent to clients that I provide PFP services. I recommend that clients contribute to an individual retirement account (IRA) or qualified plan and provide guidance to business owners on the tax impact of setting up a retirement plan. Does the standard apply to these services?

**A:** No. The recommendation that a client take advantage of a tax deduction using an IRA does not fall under the scope of the standard because you have not represented that you are providing PFP services.

The recommendation that a business owner client seek counsel and guidance on the appropriate plan to use is a customary conversation between a member and a client and is not considered a PFP service that would be subject to the standard. However, tax planning and compliance services are subject to the Statement on Standards for Tax Services.

- 31.** My client asks for my input regarding her potential deferred compensation choices. Does the standard apply to me in this situation?

**A:** The tax advice component of making a deferred compensation recommendation is covered by the Statement on Standards for Tax Services. However, if PFP services, as defined in paragraph .12, are provided (for example, you provide the current and future cash requirements and funding requirements or investment implications to the client's overall investment strategy) and you hold yourself out as providing PFP services, you are subject to the standard.

- 32.** My client forwards a summary of his employer-provided deferred compensation plan and asks me for guidance when evaluating the potential tax implications of the alternative plan choices. Does the standard apply?

**A:** The standard does not apply if you are not providing PFP services, as defined in paragraph .12. However, the Statement on Standards for Tax Services may be applicable and should be consulted.

- 33.** As part of tax return interviews, my clients often ask me about retirement plans and whether they should convert their IRA to a Roth (or if they should set up a simplified employee pension plan, or when they should start taking distributions from their plan, and so forth). I discuss various alternatives but do not prepare computations, nor do I make any specific personalized recommendations. Does the standard apply to me?

**A:** No. You are not making personalized recommendations, so the standard does not apply. The standard would apply if you are holding out as providing PFP services, and personalized recommendations are made to the client (see paragraphs 4 and 12 of the standard).

- 34.** As my clients' income tax preparer, I am asked to meet with their attorney for an hour to discuss revisions to their estate plan. We meet and discuss the benefits and uses of trusts, various family dynamics, and whether the estate planning documents fulfill the clients' goals. After the meeting, the clients ask me to review and comment on drafts of the

documents. I send an e-mail to the clients and attorney suggesting revisions to the documents. Does the standard apply to me?

**A:** It appears that you have made personalized recommendations (see paragraph .12 of the standard). If, in your professional judgment, you have made personalized recommendations and if you are holding out as providing PFP services, the standard applies (see paragraph .04 of the standard).

**35.** My tax client's attorney has advised my client to establish a grantor retained annuity trust (GRAT). I attend a meeting with the client, attorney, and investment adviser to discuss the GRAT, establishing a family limited liability company, and funding issues. The meeting evolves into discussing general estate planning and charitable giving. I review the GRAT and estate documents and comment on them. I attend another meeting to discuss issues with establishing the next in a series of rolling GRATs. The client also asks me about related financial issues, including how to title her new house and whether to set up a private foundation. These meetings have evolved into ongoing consultations. When does the standard apply to me?

**A:** The standard would apply if you are holding out as providing PFP services (see paragraph .04 of the standard) and you make personalized recommendations (see paragraph .12 of the standard) to the client. Whether the consultations are ongoing is irrelevant.

**36.** An ongoing tax client asks whether I think life insurance is advisable for the client's situation. Although we have only a general discussion in which I provide educational direction and materials, I then recommend that the client see a particular insurance specialist. Does the standard apply to me?

**A:** The standard would apply if you are holding out as providing PFP services to the client (see paragraph .04 of the standard). You are providing PFP services because directing the client to take action to see a particular insurance specialist is a personalized recommendation (see paragraph .12 of the standard). When referring a client to another service provider, reference paragraph .45 of the standard for requirements.

## **VALUATION SERVICES**

**37.** Much of my practice is in the business valuation area. While performing business valuation services, I am required to use professional judgment to determine appropriate discount and return rates. Are these business valuation engagements subject to the standard?

**A:** No. The standard does not apply because PFP services as defined in paragraph .12 are not being provided. However, business valuation engagements are subject to VS section 100, *Valuation of a Business, Business*

*Ownership Interest, Security, or Intangible Asset (AICPA, Professional Standards).*

## DOCUMENTATION AND DISCLOSURE

- 38.** For purposes of paragraph .22 of the standard, am I required to disclose the exact dollar amount of compensation to the client?

**A:** No. Providing your client with adequate information that allows the client to reasonably calculate the compensation amount is sufficient in meeting the requirements of the standard. Refer to examples of compensation disclosures in the questions that follow.

- 39.** For purposes of paragraph .22 of the standard, am I required to make additional, separate or duplicative disclosures to the client if the disclosures have been made in another client communication (for example, engagement letter, investment advisory agreement, or other client contract)?

**A:** No. To the extent that you have included required disclosures in another client communication, separate or duplicate disclosure is not required. You should use professional judgment regarding how disclosures are made to the client.

- 40.** Paragraph .22 of the standard requires that compensation disclosures be made prior to beginning the engagement. What compensation disclosure is required to begin the engagement if it is not possible to reasonably estimate the amount of compensation to be earned?

**A:** When it is not possible to reasonably estimate the amount of compensation to be earned prior to beginning the engagement, the member should disclose how compensation is determined, that it is not reasonably determinable at this time, and that further written disclosures will be made once the amount can be reasonably estimated.

### *Hourly compensation disclosures*

- 41.** Paragraph .22 of the standard requires that compensation disclosures be made prior to beginning the engagement. How should this be disclosed if the specific dollar amount cannot be determined prior to beginning the engagement when charging on an hourly fee basis?

**A:** When a specific dollar amount cannot be determined prior to beginning the engagement, a dollar range or approximation should be disclosed. If during the course of the engagement, the total hours involved exceed the original disclosure, a revised approximation of the maximum compensation should be

disclosed. The standard does not require that a standard format be followed when documenting compensation and the disclosures of such.

### *Investment compensation disclosures*

- 42.** Paragraph .22 of the standard requires that compensation disclosures be made prior to beginning the engagement. When providing investment advice, how should compensation be disclosed if the specific dollar amount cannot be determined prior to beginning the engagement?

**A:** When a specific dollar amount cannot be determined prior to beginning the engagement, a percentage, dollar range, or approximation should be disclosed, so that the client is able to determine how the member will be compensated. Once the amount is reasonably determinable, written disclosure should be made to the client regarding the maximum amount of compensation, both direct and indirect, that the member could receive. The following are examples of investment related compensation disclosures that may be appropriate:

#### ***Illustrative Example A***

Your investment in the various funds recommended will be subject to a “sales charge” (commission) that will be paid directly from the fund(s) in which you are investing:

- **Front-loaded shares:** A commission of 5% will be deducted from your initial investment of \$10,000, with the commission equal to \$500. If you were to invest a larger amount that would exceed \$20,000, your commission percentage would be 3% on the entire amount invested. An additional commission of [*percent*]% will be charged on new investments you make in this (these) fund(s).
- **Back-end loaded shares:** A commission will be charged to your investment account of 5% if you decide to transfer funds out of this account prior to [*date*]. At the current level of your \$10,000 investment, that would equal \$500. As the investment grows, the amount of commission paid, if any, would also grow.

In addition to the preceding fees, we may receive indirect compensation or benefits from investment companies, broker dealers, or other financial entities. We will disclose these benefits in writing.

[Note to member: If you are a registered investment adviser, providing the preceding disclosure in your Form ADV Part 2 will constitute adequate disclosure of such soft dollar and incidental benefits.]

#### ***Illustrative Example B***

Assets Under Management:

Our investment advisory fee is billed in arrears and is based on the market value of your advisory account at the end of the quarter. The fee for this service is based on the following schedule:

Advisory Account Value	Annualized Fee Rate
Less than \$500,000	x%
\$500,000 to \$999,999	x%
\$1,000,000 to \$2,499,999	x%
\$2,500,000 to \$9,999,999	x%
\$10,000,000 or more	x%

At the estimated asset value of \$X, your fee would be approximately \$[amount] per year or \$[amount] each quarter. Of course, that fee will change each quarter as the quarter end value in the account changes. This fee is charged on all assets in your account, regardless of asset class (including cash).

*Insurance compensation disclosure*

43. Paragraph .22 of the standard requires that compensation disclosures be made prior to beginning the engagement. When providing insurance advice, how should this be disclosed if the specific dollar amount of compensation cannot be determined on the sale of insurance products?

**A:** When a specific dollar amount cannot be determined prior to beginning the engagement, a percentage, dollar range, or approximation should be disclosed, so that the client is able to determine the maximum amount of compensation, both direct and indirect, that the member could receive. Once the amount is reasonably determinable, disclosure should be made to the client regarding the maximum amount of compensation, both direct and indirect, the member could receive. The following is an example of compensation disclosure that may be appropriate:

***Illustrative Example***

In connection with the implementation of the risk management recommendations, we anticipate you will purchase insurance policies for which we will receive commissions. Depending on the policies, the commission could vary from [percent]% to [percent]% of the first-year premium. For example, on a \$1,000,000 life insurance policy, the commission could range from \$[amount] to \$[amount]. We may receive ongoing annual commissions between [percent]% and [percent]% of premiums paid over the next X years; we reasonably estimate

commissions to total approximately \$[amount] over this time frame. In addition, we may receive other forms of direct or indirect incentive compensation, of which we cannot reasonably estimate the value at this time.

44. How should compensation be disclosed if the specific dollar amount of indirect compensation (for example, incentives, bonuses, and awards) cannot be determined *prior to the completion* of the engagement?

A: When a specific dollar amount cannot be reasonably determined or estimated prior to completing the engagement, the member should disclose that other forms of direct or indirect compensation may be received in the future as a result of the engagement, but that the amounts are indeterminate at that time.

45. When the standard requires written documentation or communication to the client, what form should it take?

A: Any form of documentation deemed acceptable as a form of written documentation or communication is acceptable for the engagement.

46. I perform ongoing reviews of my clients' financial situations, which are covered by an engagement letter, a service agreement, or other form of disclosure and meet the requirements of paragraphs 42–43 of the standard. Under the standard, when would a new disclosure (or modification thereof) be necessary?

A: New disclosures would be required when there are material changes to the engagement, such as the following:

- The services provided
- The amount of fees charged
- The method in which the fees are determined
- Changes required by law

Such changes should be communicated to the client in writing. The member is not required to follow a standard format when communicating or documenting communication (see paragraph A13 of the standard).

47. Is there a specific format or language that must be used to meet the requirements for documentation and communication to the client as set forth by the standard? Are the checklists and engagement letters provided as part of the [Standards in PFP: Compliance Toolkit](#) required to be used with each client engagement covered by the standard?

**A:** No, the standard does not require a specific format or language be used for documentation or communication. Professional judgment should be used in determining how to document and communicate. The sample checklists and engagement letters provided as part of the compliance toolkit are nonauthoritative guidance to assist with compliance with the standard.

**48.** Our firm employs individuals who meet the applicability requirements of the standard (see paragraphs 3–4). Is it acceptable for the firm to issue the required communications?

**A:** Yes, written communications required by the standard can be issued in the firm’s name.

**49.** I meet the applicability requirements set forth in paragraph .04 of the standard. I provide PFP services to clients, and I partner with a practitioner who sells financial planning products to them. My partner is not covered by the standard because he is not a member of the AICPA nor is he a CPA. We share fees from clients. Paragraph .22 of the standard requires that the compensation received by the member and the member’s firm or affiliates be disclosed to the client. Am I required to disclose the commissions generated by my partner, who is not subject to the standard?

**A:** Yes, you should disclose the commissions generated by your partner. As your partner, he is an affiliated entity. See question 52, which clarifies that an affiliate relationship exists when the member or the member’s firm and another organization have shared ownership.

## **WORKING WITH OTHER SERVICE PROVIDERS**

**50.** I do not provide investment management services as part of my PFP practice, but I often make referrals to investment managers. Although I do not take any direct compensation for these referrals, these investment managers often reciprocate by referring tax and PFP clients to me. When referring another service provider, what do I need to do?

**A:** In these referral situations, you should do three things:

- First, you should use your professional judgment about the professional qualifications and reputation of the other service provider. Ways in which you may satisfy yourself include having worked with the professional in the past, the individual’s general reputation in the community, independent performance evaluations, or other due diligence.
- Second, although you do not take any direct compensation, you should disclose any indirect compensation, which would include referrals. You should disclose to the client that you have a mutual referral relationship with the other service provider and whether it is a formal or informal relationship.

- Third, you should communicate in writing the extent to which you will or will not evaluate the work performed by the other service provider.

**51.** When recommending another service provider to a client, should I provide several names for the client’s consideration?

**A:** The number of recommendations of other service providers does not mitigate your responsibility to the client for making the recommendation. You should use your professional judgment regarding which, and how many, names to provide to the client.

## MISCELLANEOUS

**52.** I provide PFP services as part of a firm that also performs attest services. Can I accept commissions?

**A:** “Commissions and Referral Fee Rule”(AICPA, *Professional Standards*, ET sec. 1.520.001) prohibits a member from receiving a commission for recommending or referring any product or service of a third party to certain types of attest clients.

**53.** In paragraph .22 of the standard, what is meant by an *affiliate* of the member’s firm?

**A:** An *affiliate* relationship exists when the member or the member’s firm and another organization have shared ownership.

**54.** Paragraphs .19 and .28 of the standard reference the use of professional judgment as part of the member’s responsibilities in PFP engagements. What is *professional judgment*?

**A:** *Professional judgment* involves applying training, knowledge, and experience within the context of relevant professional and technical standards, as applicable, in making informed decisions about courses of action that are appropriate in the circumstances.

**55.** What is meant by the term *appropriate* in paragraph .19 of the standard, which requires the member to “consider and apply appropriate planning approaches and methods”?

**A:** *Appropriate* PFP approaches and methods are those that serve the best interest of the client, taking into consideration financial and non-financial factors of both the environment (market) and the individual situation of the client, and require professional judgment.

**56.** How is the standard enforced?

**A:** The AICPA Professional Ethics Division investigates potential disciplinary matters involving members of the AICPA and state CPA societies participating in the Joint Ethics Enforcement Program. A member who fails to comply with the standard may be subject to discipline by the AICPA or his or her state board of accountancy (or both) under the “Compliance With Standards Rule” of the AICPA Code of Professional Conduct.

### **Notice to Readers**

The answers to these frequently asked questions (FAQs) are based on guidance developed by the Responsibilities in Personal Financial Planning Services Task Force in response to questions that were presented during the SSPFPS public exposure period and since that time in administering the SSPFPS. These FAQs are not rules, regulations, or official statements of the PFP Executive Committee issued pursuant to its rule-making authority and, therefore, are not authoritative guidance.

SSPFPS should be used in conjunction with these FAQs. The answers to these FAQs may not necessarily address the requirements of other regulatory bodies, including state boards of accountancy, the IRS, and other tax regulatory bodies whose rules may differ from those of the AICPA. A member should always consult these other sources to ensure compliance with all appropriate regulatory requirements.