PERSONAL FINANCIAL PLANNING BODY OF KNOWLEDGE

Content specification outline for comprehensive PFS exam and PFP certificate exams

Updated October 2019

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**Questions?**

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- Phone: 888-777-7077 (M-F 9am – 6pm ET)
- Email: [pfs@aicpa.org](mailto:pfs@aicpa.org)
Introduction

The Personal Financial Planning Body of Knowledge (BOK) is an outline of the technical knowledge that a CPA financial planner should be expected to know to competently practice in personal financial planning. This BOK outline serves two purposes:

1) **For CPAs practicing or desiring to practice in personal financial planning**: It provides a roadmap for the various technical competencies that can guide professional development. Not all CPAs planners will be experts in all areas, but the BOK outlines the areas in which a fundamental level of knowledge is needed and emphasizes the interconnectedness of tax planning amongst all other areas of personal financial planning.

2) **For CPAs preparing for the Personal Financial Specialist (PFS) exam or any of the PFP certificate exams**: It provides a guide for exam takers to ensure they are studying appropriate topics for the PFS comprehensive exam or individual PFP certificate exams. The comprehensive PFS exam allocates a percentage of the total exam to each subject area so that exam takers have clear expectations. Exam takers can have confidence that this will accurately guide learning and test review as the BOK is used by:
   - authors of the AICPA’s education courses to thoroughly cover all PFP topics in the education and certificate programs, and
   - authors of the AICPA’s exam review materials to structure a systematic review for the exams, and
   - exam question writers to craft questions on the entire spectrum of PFP knowledge for both the comprehensive PFS exam as well as the individual PFP certificate exams.

Income tax planning and integration of topics within the PFP body of knowledge

Individual income tax planning is an integral part of personal financial planning. In the past, the Personal Financial Planning (PFP) Body of Knowledge included tax as a separate major topic. This approach did not adequately demonstrate the integration of income tax planning within the individual topics throughout the PFP Body of Knowledge. In response to this, the current PFP Body of Knowledge now addresses individual income tax planning in the following manner:

- Each major section includes one or more sub-topics labeled “Taxation and Income Tax Planning” which highlights the key tax planning considerations at relevant points in that section.
- Foundational Financial Planning Concepts (section #3) includes the sub-topic "General Income Tax Planning and Liability Management" covering general tax planning topics not specifically related to a specific area within personal financial planning.

To further emphasize the integrated nature of personal financial planning, each major topic within the PFP Body of Knowledge (BOK) has been updated with a sub-topic labeled “Integration with Other Areas of Personal Financial Planning”. This section identifies ways in which this topic impacts other major topics in the BOK. This underscores the importance of considering the impact that changes in one area can have in other parts of a client’s financial plan and the responsibility to make decisions that are in the client’s best interest.
Two ways to earn the CPA/PFS credential

The conventional pathway

- 75 hours of PFP-related education required (can utilize education from certificate program)
- Optional exam prep choices with an on-demand PFP Boot Camp
- Comprehensive 5-hour PFS exam at testing centers nationwide

The certificate pathway

- Earn each of the 5 PFP certificates (see the next page)
  - Each has 14-20 hours of online CPE (modules are 2-4 hours each)
  - Complete 4, 100-minute web-proctored exams within each course on your own computer
- Passing the 5 certificates (with the education) will meet both the education and exam requirements of the CPA/PFS credential.

Which pathway should I take?

The conventional pathway allows you to take the entire exam in one sitting, completing the credential requirements sooner and with less expense.

The certificate pathway allows you to study for and take shorter exams, one at a time, making it more convenient but taking a longer period of time, with a greater overall cost.

Experienced practitioners can use the PFP Boot Camp to refresh skills and assess if additional education would increase their confidence in passing any of the exams.

Summary of CPA/PFS requirements

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<th>Basics</th>
<th>Experience</th>
<th>Education and Exam</th>
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<tr>
<td>Active CPA license</td>
<td>3,000 hours of PFP-related experience over last five years</td>
<td>Conventional Pathway</td>
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<tr>
<td>Regular AICPA member</td>
<td>1,000 of these hours can be tax compliance</td>
<td>75 hours of PFP-related education over last five years</td>
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<td></td>
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<td>Pass the comprehensive PFS exam</td>
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<tr>
<td>Certificate Pathway</td>
<td>Obtain all 5 PFP certificates with the online education within a five-year period.</td>
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### PFP Certificate Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>PFP body of knowledge topics</th>
<th>Format and CPE</th>
<th>Exam</th>
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| Retirement Planning Certificate              | • Retirement planning  
• Elder planning                                                                                   | Optional*, online CPE, 6 modules totaling 18.5 hours                        | 60 question, 100-minute certificate exam  |
| Investment Planning Certificate              | • Investment planning  
• Education planning                                                                            | Optional*, online CPE, 8 modules totaling 20 hours                           | 60 question, 100-minute certificate exam  |
| Risk Mgmt. and Insurance Planning Certificate | • Risk management and insurance planning 
• Employee and business owner planning                                                            | Optional*, online CPE, 8 modules totaling 20 hours                           | 60 question, 100-minute certificate exam  |
| Estate Planning Certificate                  | • Estate planning  
• Charitable planning                                                                              | Optional*, online CPE, 8 modules totaling 19 hours                           | 60 question, 100-minute certificate exam  |
| PFP Practical Applications Certificate        | • Planning process  
• PFP standards and reg/leg environment  
• Fundamental concepts  
• Integrated case studies                                                              | Required, online CPE, 5 modules totaling 14.5 hours                          | No certificate exam, certificate is awarded after completion of required education |

*Optional – Taking the AICPA online education is not required to sit for the certificate exam. The certificate will be granted when the certificate exam is passed. An experienced practitioner can depend on their experience if they desire and simply take the certificate exam. However, the education does include all of the topics in the PFP body of knowledge and increases both your competence and probability of passing the exam. In addition, for the PFS certificate pathway, at least 75 cumulative hours needs to be taken while obtaining the certificates to meet the CPA/PFS credential requirements.

For more information on the PFP Certificate Programs, go to [pfpcert.aicpastore.com](http://pfpcert.aicpastore.com).
Strategies for success on the exams

Comprehensive PFS exam

- 160 multiple-choice questions are administered over a five-hour period, including time for up to a thirty-minute break taken at one of many nationwide testing centers. A list of locations can be found at www.aicpa.org/pfsexam.
- Questions average 1.8 minutes per question and will test higher-level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Questions are all multiple-choice questions. Approximately 50% are individual standalone questions, 25% are item sets (short client data followed by 3 to 5 multiple choice questions over different topic areas), and 25% are case studies (practical comprehensive situation followed by 11 to 18 multiple choice questions over different topical areas).
- The PFS exam is a comprehensive exam with random topic sequencing of questions.
- Exam 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 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 materials.
  - Expertise in one area of the exam will not result in passing the examination.
  - Be well-rested before the examination.
  - Bring a financial calculator to the exam. No programmable calculators are allowed. A list of acceptable financial calculators is located at www.aicpa.org/pfsexam.

PFP certificates exam

- 60 multiple-choice questions, many featuring typical client scenarios, are administered over a 100-minute period.
- The exam is taken on the examinee’s computer using a webcam (laptop or external) to allow a web-based proctor to oversee the exam.
- Questions will test higher-level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Questions for each exam relate specifically to the BOK topics that are covered by each certificate.

Other suggestions

- Experience in financial planning and test-taking skills are anticipated to benefit the examinee.
- Know the financial calculator; time value factor tables will not be provided in the exam.
- Allocate most of your study time towards topics with less familiarity.
- 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.
1. Personal financial planning process (7-11%)
   A. Elements of the overall planning process
   B. Understanding the client and building rapport
   C. Application of behavioral techniques to client relationships
   D. Gathering data: establishment of financial objectives and identification of constraints
   E. Life-planning

2. Professional responsibilities and the legislative and regulatory environment (7-11%)
   A. Professional standards – AICPA
   B. Regulatory landscape
   C. Fiduciary practices
   D. Professional liability and compliance
   E. Engagement letters

3. Foundational financial planning concepts (7-11%)
   A. Assumptions
   B. Cash management strategies
   C. Debt management strategies - financing asset acquisitions
   D. General income tax planning and liability management
   E. The economic environment impact on planning decisions
   F. Consumer protection issues
   G. Banking

4. Estate planning (11-14%)
   A. Fundamentals of estate planning
   B. Basic estate planning process
   C. Estate planning documents
   D. Trusts
   E. Basic estate planning strategies
   F. Gifting strategies
   G. Advanced estate planning strategies
   H. Generation skipping transfers (GSTT)
   I. Closely-held business issues
   J. Incapacity planning
   K. Postmortem estate planning
   L. Other estate planning considerations
   M. Taxation and income tax planning
   N. Integration with other areas of PFP

5. Charitable planning (4-6%)
   A. Charitable gifts
   B. Charitable trusts and planning tools
   C. Taxation and income tax planning
   D. Integration with other areas of PFP

6. Risk management planning (11-14%)
   A. The risk management process
   B. Professional environment
   C. Purpose of insurance and needs analysis
   D. Legal elements of insurance contracts
   E. Life insurance types and applications
   F. Annuities
   G. Disability insurance
   H. Property and casualty insurance
   I. Medical expense insurance
   J. Long-term care insurance

7. Employee and business owner planning (4-6%)
   A. Executive compensation and arrangements
   B. Equity compensation plans
   C. Deferred compensation
   D. Group insurance
   E. Other employee benefits
   F. Closely-held business basics

8. Investment planning (11-14%)
   A. Investment as a process
   B. The professional environment
   C. The planning phase
   D. The implementation phase
   E. The monitoring and updating phase
   F. Integration with other areas of PFP

9. Retirement and financial independence planning (11-14%)
   A. Financial independence planning process
   B. Regulatory and legislative environment
   C. Determine and prioritize client goals
   D. Gather information
   E. Perform financial analysis
   F. Create and present the retirement plan implementation strategies
   G. Implement, review and monitor plans
   H. Integration with other areas of PFP

10. Elder, special needs, and chronic illness planning (5-7%)
    A. Professional environment
    B. Non-financial factors
    C. Financial decisions
    D. Taxation and income tax planning
    E. Integration with other areas of PFP

11. Education planning (3-5%)
    A. Education planning process
    B. Gather objectives, needs, and costs
    C. Assess potential for financial aid
    D. Assess funding methods
    E. Assess factors to consider and funding strategies
    F. Taxation and income tax planning
    G. Integration with other areas of PFP

12. Special Situations (2-4%)
    A. Housing
    B. Divorce
    C. Household employees
**Impact of the Tax Cuts and Jobs Act of 2017**

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on December 22, 2017. Many of the changes have gone into effect in 2018; however, there are still significant areas where further regulatory clarification (as of August 2018) are still awaited.

The PFP Body of Knowledge (BOK) focuses on planning issues for individuals, families and pass-through entities that affect personal financial decision-making. Only areas of the TCJA that impact the topics covered in the BOK will be included. Use the following as a guideline:

- **Areas that are included and tested on the comprehensive PFP exam or the PFP Certificate exams:**
  - Provisions in the TCJA that are approved and have regulatory guidance
  - Planning strategies and techniques that may change or no longer be appropriate based on these new TCJA provisions
- **Areas that are excluded from the PFP BOK and not tested:**
  - Provisions of the TCJA that are still in a state of flux at the date this BOK was updated
  - Planning strategies and techniques that relate to these TCJA provisions
  - These areas noted in bold below

Following is a summary of the impact of TCJA on the various topics included in the PFP BOK.

**TCJA - fundamental financial concepts**

- *Moving expense employee reimbursement* - changed
  - Includable in W-2 income for the employee recipient
  - Businesses still generally allowed to deduct the employee reimbursement
- *Moving expense above-the-line deduction* - eliminated
  - Except for taxpayers who are members of the military on active duty who move pursuant to a military order
- *Standard deduction* - substantially increased in 2018 to $12,000 (single) and $24,000 (married filing jointly)
- *State and local tax (SALT) deduction* - total deductible amount limited to $10,000, including income, sales, and property taxes
- *Mortgage interest deduction* - only to be taken on mortgage debt of up to $750,000, reduced from $1 million, and the new limitation only applies to mortgages taken after Dec. 15, 2017; pre-existing mortgages are grandfathered in
- *Interest on home equity debt* - can no longer be deducted unless it is used to acquire or improve the home; previously up to $100,000 in home equity debt could be considered regardless of its use
- *Medical expenses deduction* - threshold reduced from 10% of adjusted gross income (AGI) to 7.5% of AGI for 2018 and retroactively to 2017
- *Individual deductions* - many eliminated:
  - Casualty and theft losses (except those attributable to a federally declared disaster)
✓ Unreimbursed employee expenses
✓ Tax preparation expenses
✓ Investment advisory fees
✓ Other miscellaneous deductions previously subject to the 2% AGI cap

- Employer-subsidized parking and transportation reimbursements - no longer deductible by the employer
- Child tax credit – continues
- Child and dependent care credit – continues
- Kiddie tax - a child’s net unearned income will be taxed at trust and estate rates instead of parents’ rates

TCJA - estate planning

- Estate and gift tax exemption - individual persons - $11.18 million lifetime transfer tax exemption, indexed for inflation; allowing married couples to exclude $22.36 million
- **Not tested in this BOK (items awaiting further IRS guidance):**
  - Trust and estate fiduciary fees and other administration expenses - questions on treatment as “miscellaneous itemized deductions” and eliminated as deductions
  - Estate and gift tax clawback) proposed Reg 106706-18 - questions if the IRC Section 2001(b)(1) offset for gift taxes payable will use the estate and gift tax exemption amount applicable at the time of the gift or at the time of the client’s death?

TCJA - charitable planning

- Charitable contribution deduction - two notable changes
  - Cash donations - deductible up to 60% (up from 50%) of their adjusted gross income
  - College donations - not deductible if made in exchange for the right to purchase athletic tickets

TCJA - risk management and insurance planning

- Individual mandate (under Patient Protection Act) - effectively repealed; no penalties for not having health insurance after 2018
- Life settlements - new reporting requirement and changed gain calculation
- Personal casualty and theft loss deduction - limited to federally declared disaster areas only

TCJA - employee and business owner planning

- Sections 199A - new 20% pass-through deduction for qualified business income of certain individuals (not employees) and certain types of businesses (all businesses except C corporations); testing limited to statutory requirements and definitions
  - **Not tested in this BOK:**
• planning strategies and techniques and detailed scenarios based on Section 199A because this area awaits further IRS guidance
  • Other employee benefits - taxability and deductibility of moving expenses, meals, transportation, achievement awards
    ✓ Not tested in this BOK:
    • details on employee business meals considered as entertainment expense because this topic awaits further IRS guidance

**TCJA - investment planning**

  • Long-term capital gains – no changes; rates of 0%, 15%, or 20% depending on one’s taxable income
  • Investment fees - no longer deductible; investment interest expense remains deductible
    ✓ Not tested in this BOK:
    ✓ changes in international tax law negatively impacting investment partnerships (versus corporations) with overseas operations

**TCJA - retirement planning**

  • 401(k) loan payback - longer period for workers leaving employment
  • Roth IRA recharacterizations - elimination of Roth IRA recharacterizations for Roth conversions made in 2018 and later; 2017 conversions may still be recharacterized

**TCJA - elder & chronic illness planning**

  • ABLE accounts - allow additional beneficiary contributions and rollovers from 529 plans

**TCJA - education planning**

  • Lifetime Learning Credit and Student Loan Interest Deduction - continues
  • IRC Section 529 plans - may be used for elementary and secondary education (K-12) up to $10,000 per year per beneficiary after the state modifies their plan
  • Student loans - excluded from income when discharged due to death or disability

**TCJA - special situations**

  • Alimony - not deductible by payor and not includable in income by payee for divorce agreements executed after 12/31/2018; modifications of prior agreements can choose which year’s tax law options to use
  • Trusts created to satisfy an alimony obligation - income will be taxed to the trust grantor for divorce agreements executed after 12/31/18
  • Dependency exemption - repealed
  • Mortgage/home equity loan interest - only deductible for “acquisition indebtedness”; debt on one home used to finance a second home is not deductible
1. Personal financial planning process

A. Elements of the overall planning process

1. Planning the PFP engagement
2. Obtaining and analyzing information
   a. Discovering and gathering client data
   b. Performing analyses to develop and support planning recommendations
3. Developing and communicating recommendations
4. Implementation engagements
   a. Coordinating the implementation of the client’s financial planning decisions
5. Monitoring and updating engagements
   a. Periodically monitoring the client progress in achieving goals
   b. Assisting the client to modify plan as circumstances change

B. Understanding the client and building rapport

1. 11 components of active listening
2. Verbal and non-verbal cues
3. Context
4. Intuitive abilities
5. Behavioral biases and heuristics
6. Socratic questioning methods
7. Use of behavioral assessment tools

C. Application of behavioral techniques to client relationships

NOTE: This topic is an important component for maintaining effective client relationships, however, because it cannot be examined effectively, it will not be tested on the multiple choice PFS credential or PFP certificate exams.

1. During initial discovery/early client meetings
   a. Focus on the immediate issue, what’s not working, and what a fix would look/feel like
   b. Shift focus to the client and their aspirations to direct the process
       1. Identify the 1-3 things that inspire them
2. Throughout client engagement
   a. Establish a life planning focus or backdrop while addressing the immediate need
   b. Encourage open-ended questions for items to come up that are unexpected but helpful
   c. Listen actively
   d. Communicate comprehension of and empathy with client situation
   e. Ask deep, penetrating questions that have been carefully and thoughtfully considered and be prepared to address unexpected responses
   f. Driving motivation should be: How do I move the client forward?

3. Handling conflict
   a. Managing difficult clients
   b. Managing expectations
      1. Setting client expectations of what they should be doing
      2. Setting (and meeting) client expectations of what the adviser should be doing
   c. Understanding family dynamics
      1. Relationships between family members affect the financial planning process
      2. Facilitating discussions and decisions among family members

4. Financial planner’s attitude
   a. Controlling emotions evoked by client words and actions
   b. Refraining from projecting adviser’s biases/values into a client situation
      1. Views on longevity and planning
      2. Attitudes on gifting – can range from spoiling heirs to giving them very little
      3. Advisory philosophy
         a. Potential for client loss versus potential for client gain
         b. Lessons from past financial crises (such as 2008)
   c. Ability to recognize and alter one’s own communication style for different types of clients
      1. Client types such as older clients, millennials, etc.
      2. Communication styles
         a. Simplifying conversations
         b. Pacing conversation
c. Setting length of meetings based on attention span
d. Summarizing versus detailing explanation of the reasoning
e. Allowing time for clients to validate your approach

5. Diagnosing client situations
   a. Recognizing declining cognitive ability
   b. Assessing client conflict
   c. Identifying addictive behavior
      1. Drinking / drugs
      2. Over-spending
      3. Entitlement as an excuse for reckless decision-making
   d. Using key life events when client is more likely to be open to discussion
      1. Entrances – marriage, birth, new business
      2. Exits – death, divorce, business sale/dissolution
      3. Understanding ethical responsibilities at these vulnerable times
   e. Recognizing behavioral models representing different capacity and tolerance of risk

6. Client communication
   a. Understanding how clients prefer to be communicated with
      1. Recognizing differences based on gender and age
   b. Recognizing technology capabilities of clients
   c. Including appropriate family members in the communication process

D. Gathering data: establishment of financial objectives and identification of constraints

1. Qualitative issues
   a. Client goal setting
      1. Overall client suitability: family disagreements on goals and risks
      2. Life cycle approach: accumulation, consolidation, spending, gifting
      3. Time horizon: near or long-term
      4. Client priorities: low or high priority
      5. Impact of client macro factors: closely held businesses and overall
         individual/family goals
   b. Client’s financial attitudes
      1. Client’s personality
a. Level of confidence and method of action
b. Implications for the financial adviser’s approach

2. Client’s psychology
   a. View of money and use of financial resources
   b. Investor biases
   c. Emotional responses to money
   d. Methods of dealing with client biases
   c. Client lifestyle and human capital risks
      1. Employment risk
      2. Volatility of income
   d. Client’s health and other preferences

2. Quantitative issues
   a. Goal quantification
      1. Dollar specificity
      2. Time specificity
   b. Financial statement analysis
   c. Current income and spending patterns
   d. Cash flow planning
   e. Business considerations
   f. Financial independence, including retirement
   g. Other income or cash flow sources
   h. Charitable and legacy desires for the future

E. Life-planning
   1. Understanding life planning goals and purpose
   2. Applying life planning principles in the financial planning process
2. Professional responsibilities and the legislative and regulatory environment

A. Professional standards – AICPA

1. AICPA Code of Professional Conduct
   a. Integrity
   b. Objectivity
   c. Competence
   d. Fairness
   e. Confidentiality
   f. Professionalism
   g. Diligence
   h. Unauthorized practice of law

   a. Scope
   b. Applicability
   c. Objective
   d. Authority of the statement
   e. Requirements

3. Statements on Standards for Accounting and Review Services No. 6
4. Statement on Standards for Consulting Services No. 1
5. Statement on Standards for Valuation Services No. 1
6. Statements on Standards for Tax Services No. 7

B. Regulatory landscape

1. Significant legislation
   a. Securities Act of 1933
   b. Securities Exchange Act of 1934
   c. Investment Advisers Act of 1940
      1. Accountant’s Exclusion
   d. Investment Company Act of 1940
e. Tax Cuts and Jobs Act of 2017 (TCJA)
f. IRS Circular 230
g. State regulation – broad landscape, not state-specific
h. Privacy and non-disclosure of personal information

2. Governing bodies
   a. Securities and Exchange Commission (SEC)
   b. Financial Industry Regulatory Authority (FINRA)
   c. State securities regulators

3. Insurance regulatory environment
   a. Licenses required to sell various types of insurance
      1. Life, disability, long-term care, health insurance and annuities
      2. Variable insurance products
      3. Property and casualty insurance
   b. General concepts of state regulation

C. Fiduciary practices

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

2. Significant legislation
   b. Investment Advisers Act of 1940
   c. Prudent Man Rule
   d. Prudent Investor Rule
   e. Uniform Prudent Investors Act
   f. U.S. Department of Labor (DOL)

3. Significant Supreme Court decision(s)

4. AICPA Code of Professional Conduct and Statement on Standards in Personal Financial Planning Services No. 1

5. Application to all areas of personal financial planning
D. Professional liability and compliance

1. Working with compliance consultants
2. Carrying malpractice insurance

E. Engagement letters

1. Importance of well-defined engagements
2. General professional standards
3. Personal Financial Planning (PFP) specific issues
4. Investment management services
5. Limits of the scope of representation
6. Closing letter at end of representation, if appropriate
3. Foundational financial planning concepts

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 changing under TCJA
   f. Client-directed assumptions related to goals

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

B. Cash management strategies

1. Spending plans
   a. Factors impacting development of appropriate plans
   b. Issues affecting implementation

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. Saving systematically
   c. Laddering

C. Debt management strategies - 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
D. General income tax planning and liability management

1. Deferral techniques
2. Deduction techniques
   a. Accelerating deductions
   b. "Bunching" of deductions into one tax year; timing of deductions is more important after TCJA
3. Shifting techniques
   a. Using gifting strategies to manage overall family tax liability
   b. Using kiddie-tax rules as changed under TCJA
4. Application of strategies in estate planning, investment planning, and retirement planning
   a. See the Taxation and Income Tax Planning topics in each of the other sections throughout the PFP Body of Knowledge.

E. The economic environment impact on planning decisions

1. Basic concepts
2. Business cycles
3. Inflation
4. Interest rates
5. Monetary and fiscal policy

F. Consumer protection issues

1. Privacy issues
   a. Legal requirements
   b. Professional requirements
2. Identity theft
   a. Common methods of appropriating identity
   b. Protections against identity theft
   

G. Banking

1. Types of Banks
   a. Commercial
b. Investment

c. Private

2. Deposit Insurance
   a. Federal Deposit Insurance Corporation (FDIC)
   b. National Credit Union Administration (NCUA)
   c. Securities Investor Protection Corporation (SIPC)
      1. Similar function for brokerage firms

3. Deposit accounts
   a. Savings
   b. Checking
   c. Money Market Deposit Account
   d. Certificates of Deposit

4. Other services
   a. Credit cards
   b. Mortgages
   c. Insurance
   d. Investments
   e. Personal loans
4. Estate planning

A. Fundamentals of estate planning

1. Understanding the unified system
   a. Gift tax
   b. Estate tax
   c. Generation-skipping transfer tax (GSTT)

2. Lifetime versus testamentary transfers
   a. Impact of TCJA

3. Applicable credit amount and higher exemption equivalent under TCJA

4. Marital deduction

5. Charitable deduction

6. Annual exclusion
   a. Qualifying transfers
   b. Crummey powers

7. Basis step-up (IRC Section 1014)
   a. Income in respect of a decedent
   b. Gifts reverting back to the original owner which were transferred within one year of death
   c. Basis consistency reporting

8. Portability
   a. Basic exclusion amount
   b. No portability of GSTT exemption

9. Intestacy

10. Probate

11. Impact of property ownership and beneficiary designation

B. Basic estate planning process

1. Data gathering
   a. Financial information
   b. Existing documents and plan
2. Client interview and communication
   a. Identifying client goals
   b. Impact of family values
3. Prepare estate planning statement of financial position (balance sheet)
4. Estate tax calculations
   a. Gross estate
      1. Items included
      2. Items excluded
   b. Deductions from gross estate
   c. Federal estate tax calculation
   d. Income in respect of a decedent (IRD)
   e. State estate and inheritance tax
   f. Gross-up rule for gift taxes paid within three years of death
   g. Treatment of adjusted taxable gifts
   h. Portability
5. Determining liquidity and survivor sufficiency needs
6. Recommend strategies
7. Implementation

C. Estate planning documents
   1. Wills
   2. Revocable trusts
   3. Beneficiary designation forms
   4. Advanced health care directives
      a. Healthcare power of attorney
      b. Living will
      c. Advanced health care directive
      d. Physicians orders such as AND, DNR, etc.
   5. Financial power of attorney
      a. General power
      b. Springing power
c. Durable power

6. Electronic documents and storage

D. Trusts

1. Types of trusts
   a. Inter vivos and testamentary
   b. Revocable and irrevocable
   c. Simple and complex
   d. Grantor
   e. Marital and credit shelter
   f. Incomplete non-grantor trusts
      1. Definitions and why used (not detailed applications)
   g. Charitable remainder trusts and charitable lead trusts
      1. Introduction, addressed more completely in Charitable Planning topic
   h. Special needs trusts
      1. Introduction, addressed more completely in Elder & Special Needs Planning topic

2. Choice of fiduciary
   a. Importance and implications
   b. Corporate trustee / custodians / investment adviser / trust protector
   c. Disclosure versus confidentiality
   d. Control issues
      1. General versus limited powers of appointment
      2. Discretionary versus non-discretionary

3. Timing of distributions to beneficiaries

4. Powers of appointment
   a. General
   b. Limited

5. Goals that trusts can achieve
   a. Avoid probate
   b. Plan for the potential of incapacity
c. Achieve charitable intentions while addressing other needs
d. Clearly address divorce and other family issues
e. Creditor protection
f. Maintain privacy
g. Assist with business transitions

6. Use with asset protection planning, estate tax planning, and generation skipping transfer tax planning
   a. Minority and marketability discounts – Rev. Rule 93-12
   b. Temporal discounts (based on the passage of time)

E. Basic estate planning strategies
   1. Credit shelter trust to maximize use of applicable credit amount
      a. Requires careful consideration of amounts transferred to these trusts after TCJA
      b. Protects against taxation of future appreciation – but no future basis adjustment
   2. Marital trust or outright transfer to surviving spouse
   3. Qualified disclaimers
   4. Charitable trusts
   5. Portability

F. Gifting strategies
   1. Annual exclusion gifts
   2. Present versus future interest (gifts)
   3. Payment of medical or education expenses directly to the provider
   4. Gift splitting
   5. Interest free loans
   6. Use of the applicable credit
   7. Installment sales to family members
   8. Self-cancelling installment notes (SCINs)
   9. Private annuities to family members
   10. Gifts and trusts
   11. Assignments of income rules
   12. Asset sales to family members
a. Related party transaction rules  
b. Bargain sales  

13. Installment sale rules and elections  

G. Advanced estate planning strategies  
1. Family entities  
2. Grantor retained annuity trusts (GRATs)  
3. Qualified personal residence trusts (QPRTs)  
4. Charitable trusts (CRTs, CLTs)  
   a. See Charitable Planning topic for more information  

H. Generation-skipping transfers (GSTT)  
1. GSTT planning  
   a. Skip person  
   b. Direct skip  
   c. Taxable distribution  
   d. Taxable termination  
2. GSTT exemption  
3. GSTT annual exclusion  
   a. Outright transfers  
   b. Qualified transfers  
   c. Transfers in trust (transfers of a future interest)  
4. Special exceptions  
   a. 2010 gifts to trusts for skip persons  

I. Closely-held business issues  
(See also Employee and Business-Owner Planning / Closely-Held Business Basics topic for more information)  
1. Valuation issues  
   a. Special valuation under IRC Section 2032A farm and real estate  
2. Family succession planning
a. Business continuation agreements

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

J. Incapacity planning
   1. Use of powers of attorney in planning for capacity
   2. Use of revocable trusts
   3. Hedging incapacity risk
      a. Disability insurance
      b. Long-term care insurance

K. Postmortem estate planning
   1. The qualified terminable interest property (QTIP) election
   2. Income and estate tax elections of the executor
   3. IRC Section 303 redemptions
   4. IRC Section 6166 deferrals of estate tax
   5. Disclaiming an inheritance

L. Other estate planning considerations
   1. Options for the non-citizen spouse
      a. Limitations on marital deduction
      b. Qualified Domestic Trusts (QDOTs)
   2. Expatriate issues
      a. Non-resident spouse
      b. Estate/gift taxation
   3. Planning for blended family relationships
   4. Cohabitation
5. Adoption
6. Previous relationships
7. Domiciles – past, present, and future
   a. Community property
   b. State estate and inheritance tax
      1. Concepts and considerations, not state-specific topics
8. Pets - planning for their ongoing needs

M. Taxation and income tax planning
1. Income in respect of a decedent (IRD) property
   a. Traditional retirement assets
      1. Qualified plan assets
      2. Non-qualified assets
      3. Individual Retirement Accounts
   b. Royalties
   c. Equity compensation
      1. Employee stock options
      2. Restricted stock units
      3. Net unrealized appreciation (NUA)
      4. Other
   d. Annuities
   e. Roth IRAs

N. Integration with other areas of personal financial planning
1. Risk management planning
   a. Gift, estate, and generation-skipping transfer tax consequences of using life insurance.
   b. Uses of life insurance in wealth transfer planning
      1. Hedging against financial planning risks
      2. Hedging against tax risks
      3. Aligning the type of life insurance to the need
   c. Irrevocable life insurance trusts (ILITs)
d. Intentionally defective grantor trusts (IDGTs)

2. Retirement and financial independence planning
   a. Coordination of beneficiary designations with heirs in the estate plan

3. Elder, special needs, and chronic illness planning
   a. Appropriate use of trusts to protect the estate from health care costs

4. Charitable planning
   a. Use of charitable trusts to zero out estate tax
5. Charitable planning

A. Charitable gifts

1. Cash
2. Property
   a. Real estate
      1. Fee simple
      2. Remainder gifts of residences
      3. Conservation easement
   b. Personal property
      1. Art and jewelry
      2. Automobiles
      3. Clothing and qualified housing items
      4. Related use tax matters
   c. Ordinary income property
   d. Appreciated capital assets
      1. Publicly held securities
      2. Privately held securities
      3. Short-term vs. long-term

3. Life Insurance
   a. Wealth replacement trust
   b. Beneficiary designation
      1. Revocable vs. irrevocable
   c. Life settlement - New rules in TCJA
   d. Premium financing/life settlement programs

B. Charitable trusts and planning tools

1. Types of trusts
   a. Charitable lead trusts (CLTs)
      1. Unitrusts
      2. Annuity trusts
      3. Grantor vs. non-grantor
b. Charitable remainder trusts (CRTs)
   1. Unitrusts
   2. 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

3. Other charitable vehicles
   a. Private foundation
   b. Donor advised fund
   c. Charitable gift annuity

C. Taxation and income tax planning

1. Application of limitations
   a. Individuals
      1. 60% limit
      2. 50% limit
      3. 30% Limit
      4. 20% Limit
   b. Corporations
   c. Trusts and estates
      1. Same limits as individuals
      2. Electing small business trust (ESBT)
      3. Qualified subchapter S trust (QSST)
         a. See Employee and Business Owner planning / Closely-Held Business Basics for more information on these trusts

2. Carry forward rules

3. Tax impacts of transfers
   a. Qualified (IRC) Section 501(c)(3) organizations
b. Foreign charities
c. Property donations
d. Donor advised funds

4. Qualified charitable distribution (QCD) to count as or toward RMD.
5. Requirements for qualified appraisals
6. Estate and income tax planning much more interconnected since TCJA

D. Integration with other areas of personal financial planning

1. Estate planning
   a. Qualified charitable gifts and qualified charitable transfers at death
      1. Statutory requirements

2. Risk management planning
   a. Designation of charitable organizations as beneficiaries

3. Retirement and financial independence planning
   a. Determining charitable intent during data gathering for retirement to be sure it is included in retirement income plan

4. Investment planning
   a. Impact on the asset allocation plan of charitable organizations as an ultimate recipient or beneficiary of an investment account
6. Risk management planning

A. The risk management process

1. Identification of potential loss exposures
2. Assess severity of loss
   a. Frequency
   b. Severity
3. Selection and application of appropriate risk management techniques
   a. Avoidance
   b. Prevention
   c. Retention
   d. Transfer
4. Implementation
5. Monitor and review

B. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for more information)

1. Regulatory environment
2. Professional responsibilities
   a. Statement on Standards in Personal Financial Planning Services No. 1
   b. Importance of fiduciary standard for CPA financial planners
3. Carrier environment
   a. Choosing between insurance carriers and using ratings
   b. Differences between an agent and a broker
   c. Compensation methods
      1. Traditional – commission based
      2. No load
      3. Consultation fees
      4. Disclosure requirements vary by state
      5. Applicability of AICPA standards on personal financial planning
C. Purpose of insurance and needs analysis

1. Life insurance
   a. Uses
      1. Income replacement and specific expenses
      2. Final expense protection
      3. Debt liquidation
      4. Funding goals
   b. Income needs analysis
   c. Capital retention
   d. Human life value

2. Disability insurance
   a. Uses: income replacement
   b. Calculation of amount needed

3. Other insurance
   a. Uses for indemnity and asset protection
   b. Cost-benefit proposition

D. 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

7. Policy provisions
   a. Free look period
   b. Grace period
   c. Incontestability clause
   d. Suicide clause

8. State laws
   a. Creditor protection
      1. Potential differences between states (concepts, not state-specifics)
   b. Rebating

E. Life Insurance types and applications

1. Types
   a. Group life insurance (IRC Section 79)
      1. See Employee and Business-Owner Planning / Group Insurance topic for more
         Information
   b. Individual life insurance
      1. Features
         a. Premium guarantee
         b. Conversion
         c. Waiver of premium
            1. Relationship to disability
               a. See Disability Insurance topic for more on disability
                  insurance
         d. Return of premium
         e. Cost of living rider
         f. Guarantee purchase option
         g. Accidental death benefit
h. Accelerated death benefit

2. Underwriting
   a. Factors
      1. Age
      2. Gender
      3. Health status
      4. Tobacco use
      5. Occupation
      6. Avocations
      7. Travel
      8. Family history
   9. Economic considerations
      a. Net worth
      b. Income
      c. Credit history
   10. Rate classes
      a. Preferred
      b. Standard
      c. Rated

3. Term life insurance
   a. Types
      1. Annual renewable term (ART)
      2. Level premium
      3. Re-entry term

4. Credit life insurance

5. Permanent life insurance
   a. Individual policies versus joint policies
      1. Survivorship (second-to-die)
      2. First-to-die
   b. Whole life
      1. Non-participating
      2. Participating (dividend paying)
3. Current assumption
   c. Universal life (UL)
      1. Traditional UL
      2. Variable UL
      3. Guaranteed UL
      4. Index UL
   d. Limited payment
   e. Single premium
   f. Private placement
   g. No load/low load policies

6. Key Features and Issues
   a. Optimal design
      1. Blended
      2. Funding period
      3. Cash build up
      4. Corridor factor
   b. Funding and withdrawals
      1. Modified endowment contract (MEC) limits
      2. Premium financing
      3. Withdrawals and effect on policy
      4. Loans
         a. Participating
         b. Non-participating
         c. Loan spread
   c. Non-forfeiture options
      1. Cash
      2. Reduced paid up
      3. Extended term
   d. Settlement options
      1. Cash
      2. Fixed amount
      3. Fixed period
4. Annuity option
   e. Other planning issues (IRC 101)
      1. Viatical settlements
      2. Life settlements
         a. New reporting requirements in TCJA
         b. Change in gain calculation
      3. Accelerated death benefits

2. Practical aspects of life insurance
   a. How to read an illustration
      1. Life Insurance Illustrations Model Regulation
   b. How to perform an annual review
   c. What to look for on a proposal
   d. How to compare products/carriers
      1. In-force ledger statements
      2. Interested-adjusted net surrender cost method
      3. The Baldwin method
   e. Impact of 2001 Standard Ordinary Mortality Table

3. Taxation and income tax planning (IRC Section 101 and 7702)
   a. Impact of ownership
   b. Group premium taxability
   c. Inside build up and FIFO taxation
   d. Dividends
   e. Death benefit
   f. Settlement and rider taxability
   g. Policy loans
   h. MEC rules
   i. Transfer for value rules IRC Section 101(a)(2)
   j. IRC Section 1035 exchanges

4. Integration with other areas of personal financial planning
   a. Estate planning
      1. Ownership and beneficiary issues
a. Inclusion in taxable estate unless irrevocably assigned
b. Irrevocable life insurance trust (ILIT) – 3-year lookback rule
   1. Private split dollar-dollar valuation planning (TCJA benefits)
      a. Economic benefit method (Treasury Regulation 1.61-22))
      b. Loan method (Treasury Regulation 1.7822-15)
c. Qualified domestic trust (QDOT)
d. Spouse/unlimited marital gifts
e. Children/estate taxation
f. Gifting issues/limitations (IRC Section 2035)
   1. Crummey provisions

2. Liquidity
3. Estate enhancement
4. Estate freeze
5. Wealth replacement
6. Charitable giving

b. Investment planning
   1. “Alternative investments” description not allowed by National Association of
      Insurance Commissioners (NAIC)
   2. Considered for the asset allocation plan
      a. Life insurance policies held
      b. Use of securitized pools of life and viatical settlements
   3. Awareness and use of MEC

c. Retirement and financial independence planning
   1. Pension maximization
   2. Use of cash value, UL and VUL as tax favorable savings vehicle for retirement or education
      a. Compare to buy term/save difference
      b. Impact on insurance provided if used for producing income
   3. MEC considerations and net amount at risk insurance corridor
   4. Use of viatical settlements
d. Charitable planning
   1. Naming charities as beneficiaries
2. Gifting or bequeathing policies to charities

F. 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
   f. Charitable gift annuities
   g. Annuitant-driven vs owner-driven (impact on death benefit and taxation)

2. Rollovers
   a. IRC Section 1035 exchanges

3. Distributions
   a. Annuity options
      1. Cash
      2. Life annuity without refund
      3. Life annuity with period certain payments
      4. Installment refund option
      5. Joint and survivor option

4. Creditor protection
   a. Potential differences between states
      1. Concepts, not state-specifics
   b. Owner-driven rules

5. Taxation and income tax planning (IRC Section 72)
   a. Early withdrawal penalty
   b. Taxation of withdrawals or partial surrenders
   c. Expected return/exclusion ratio
   d. Income in respect of a decedent (IRD)
   e. Taxation of total distributions and death benefit
   f. Tax treatments may vary by contract; i.e. LIFO and other beneficial tax treatments
6. Integration with other areas of personal financial planning
   a. Investment planning
      1. Inclusion in the asset allocation plan
      2. Use in reducing portfolio risk and volatility
   b. Retirement and financial independence planning
      1. Impact on withdrawal and cash flow decisions
      2. Use in addressing longevity risk
   c. Estate planning
      1. Ownership considerations - inclusion in the estate
      2. Valuation
   d. Charitable planning
      1. Gifting
      2. Beneficiary arrangements

G. Disability insurance

1. Sources of disability compensation
   a. Types of insurance policies
      1. Short-term vs. long-term
      2. Group vs. individual
      3. Employer provided
      4. Association plans
      5. Fraternal organization
   b. Government programs
      1. Workers Compensation
      2. Social Security Disability

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 benefits rider (coordination with Social Security benefits)
   f. Return of premium rider

4. Business disability plans
   a. Buy/sell plans
   b. Business overhead expense plans

5. Taxation and income tax planning (IRC Section 104)
   a. Premiums – individual vs employer paid
   b. Benefits
   c. Deductibility

6. Integration with other areas of personal financial planning
   a. Retirement and financial independence planning
      1. Coverage decisions – when is it no longer needed
      2. Transition to Social Security

H. Property and casualty insurance

1. Homeowner’s insurance
   a. Policy forms
      1. HO-3 (special form)
      2. HO-4 (contents broad form)
      3. HO-5 (comprehensive form)
      4. HO-6 (unit-owners form)
   b. Excluded perils
      1. Dwelling
      2. Personal property
      3. Business pursuits
   c. Section 1
1. Coverage A – dwelling
2. Coverage B – other structures
3. Coverage C – personal property
   a. Replacement cost endorsement
   b. Personal property floater
4. Coverage D – loss of use
d. Section 2
   1. Personal liability
   2. Medical payments to others
e. Exclusions
   1. Flood and earthquake (separate policies available)
f. Ownership of properties
   1. Trusts, LLCs, and individuals
2. Personal auto insurance
   a. Part A – liability coverage
      1. Single limit
      2. Split limits
   b. Part C – Uninsured/underinsured coverage
   c. Part D – Collision and not collision
3. Excess liability insurance (umbrella)
   a. Secondary coverage
   b. Identify all properties, cars, and “toys” under personal and LLC names
   c. Determination of amount based on net worth or tangible assets at risk
4. Taxation and income tax planning
   a. Gain and loss recognized on claims for federally declared disaster areas (TCJA)

I. Medical expense insurance
1. Significant legislation
   a. Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
   b. Health Insurance Portability and Accountability Act (HIPAA)
   c. Patient Protection and Affordable Care Act (PPACA)
      1. Mandated coverages and coverage levels removed (TCJA)
2. Healthcare marketplace (Exchange) for the individual and small employer
   a. Premium tax credits
3. Premium pricing based on age and location vs health history
4. Individual shared responsibility provision (aka individual mandate)
   a. $0 penalty for non-compliance for 2019 and future years (TCJA change effectively repealing the provision)
5. Employer shared responsibility provision (aka employer mandate, “play or pay”)
6. Medicaid expansion
7. Medicare regulations
d. Tax Cut and Jobs Act of 2017 (TCJA)

2. Individual medical expense insurance plans
   a. Plan features under PPACA
      1. Limits on deductibles and out of pocket expenses
      2. Guarantee issue – no medical underwriting

3. Types of plans
   a. Indemnity plans (fee-for-service plans)
      1. Preferred provider organization (PPO)
      2. Exclusive provider organization (EPO)
      3. Point of Service (POS)
   b. Health maintenance organization (HMO)
c. Government programs
   1. Medicare (Parts A, B, & D)
      a. Medicare supplement insurance
      b. Medicare Advantage (Part C)
   2. Medicaid
   3. TRICARE

4. Tax advantaged plans
   a. Health savings accounts (HSA)
      1. Paired with qualified high deductible health plans
      2. Deductibles
3. Contribution limits
4. Acceptable uses for HSA funds
   b. Flexible spending accounts (FSA)
   c. Health reimbursement arrangements (HRA)

5. Taxation and income tax planning
   a. Individual plans (IRC Section 105)
      1. Itemized deductions subject to limitations
      2. IRC Section 105 plans for self-employed individuals
      3. Self-employed health insurance deduction for AGI
         a. Includes requirements for S corp shareholders
   b. HSA plans (IRC Section 223)
      1. Taxability during accumulation and distribution
      2. Early withdrawal penalties

6. Integration with other areas of personal financial planning
   a. Retirement and financial independence planning
      1. Use of HSA funds as a tax-deferred retirement savings vehicle
         a. Contributions and Medicare enrollment decision
      2. Retirement health insurance options at retirement
         a. Retiree health benefits – current or former employers
         b. Proper enrollment in Medicare
      3. Importance of reviewing health coverage (including drugs) options during retirement

J. 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. Taxation and income tax planning (IRC Section 7702B)
   a. Premium deductible/credits
   b. Benefits
   c. Self-employed health insurance deduction rules

5. Integration with other areas of personal financial planning
   a. Retirement and financial independence planning
      1. Use in a comprehensive retirement plan - potential catastrophic event
      2. Alternative to disability insurance for individuals aged 45-55
   b. Estate planning
      1. Inclusion of benefit if there is a return of premium rider
7. Employee and business owner planning

A. Executive compensation and arrangements

1. Salary and bonus compensation
   a. Employment contracts

2. Severance agreements
   a. Non-compete agreements and related contracts

3. Other arrangements
   a. Key person insurance
   b. Executive bonus plans (IRC Section 162(a)(1)
      1. Ownership and beneficiary issues
   c. Split dollar life insurance arrangements (IRC Section 61)
   d. Golden parachute payments (IRC Section 280G)
   e. Golden handcuff payments
   f. Company owned vehicle – business owners

4. Insider issues

5. Taxation and income tax planning
   a. Taxability of plan arrangements based on entity types
   b. International considerations

6. Integration with other areas of personal financial planning
   a. Risk management planning
      1. Familiarity with types of insurance used to fund these plans
   b. Investment planning
      1. Consideration in asset allocation plan based on risk tolerances
   c. Retirement and financial independence planning
      1. Coordination with existing retirement plan arrangements
   d. Estate planning
      1. Inclusion and valuation in estate

B. Equity compensation plans

1. Equity plans
a. Basic knowledge
   1. Current trends in employee compensation
   2. Company restrictions
   3. Insider issues and SEC constraints
b. Types of plans
   1. Restricted stock
   2. Phantom stock
   3. Stock appreciation rights
   4. Employee stock purchase plans
   5. Incentive stock options (ISO)
   6. Non-qualified stock options (NQSO)

2. Taxation and income tax planning
   a. Taxability of types of plans
   b. IRC Section 83(b) election
   c. AMT incentive stock options (ISO)
   d. Disqualifying dispositions
   e. Holding period requirements
   f. Tax implications of the use of various plan types
   g. Net unrealized appreciation (NUA)

3. Integration with other areas of personal financial planning
   a. Risk management planning
      1. Diversification
   b. Investment planning
      1. Impact of these plans on investment allocation decisions
      2. Managing a concentrated stock position
   c. Retirement and financial independence planning
      1. Use of plans for retirement income planning before and during retirement
   d. Estate planning
      1. Inclusion and valuation in the estate
   e. Charitable planning
      1. Ability to gift to
a. Family/friends
b. Charity

C. Deferred compensation

1. Basic provisions and differences from qualified plans
   a. Advantages/disadvantages for both employer and employee
   b. Regulatory environment governing these plans – DOL, ERISA, etc.

2. Types of plans and applications
   a. Salary reduction plans
   b. Salary continuation plans
   c. Rabbi trusts
   d. Secular trusts
   e. Top hat plans
   f. Supplemental executive retirement plans (SERPS)

3. Strategies

4. Distribution options/planning
   a. In-service withdrawals
   b. Distribution rules (lump sum definition)
   c. Net unrealized appreciation withdrawals
   d. Retirement
   e. Death
      1. Ownership and beneficiary issues
   f. Disability

5. Taxation and income tax planning
   a. Taxability of types of plans
   b. Constructive receipt
   c. Substantial risk of forfeiture
   d. Economic benefit doctrine
   e. IRC Section 409A compliance
   f. State income tax considerations (non-state specific)
   g. Tax implications of plan types based on entity types
h. international considerations

6. Integration with other areas of personal financial planning
   a. Risk management planning
      1. Use of insurance as a funding vehicle or investment for plans
      2. Coordination with existing life and disability insurance
   b. Investment planning
      1. Impact on asset allocation
   c. Retirement and financial independence planning
      1. Use in available retirement assets and income
      2. Coordination of distribution with other retirement funding vehicles
   d. Estate planning
      1. Inclusion and valuation in the estate
   f. Charitable planning
      1. Ability to gift

D. Group insurance

   1. Group life insurance (IRC Section 79)
      a. Types
         1. Annual renewable term (ART)
         2. Accidental death and dismemberment (AD&D)
         3. Group universal life
      b. Characteristics
         1. Guaranteed issue
         2. Modified underwriting
         3. Convertibility
         4. Retirement options
      c. Tax issues
         1. Premium deductibility
         2. Differences based on type and/or purpose
      d. Portability and conversion analysis

   2. Group disability insurance
      (See Risk Management Planning / Disability Insurance for more information)
a. Types and basic provisions
   1. Short-term coverage
   2. Long-term coverage
      a. Basic
   3. Supplemental
b. Definitions of disability
c. Portability
d. Income tax implications
e. Integration with other income/other coverage

3. Group medical insurance
   a. Types and basic provisions
      1. Traditional indemnity
      2. Managed care plans
         a. Preferred provider organization (PPO)
         b. Health maintenance organization (HMO)
         c. Point-of-service plan (POS)
      3. Qualified high deductible plans
   4. COBRA benefits
   5. HIPAA considerations
   6. Patient Protection and Affordable Care Act (PPACA)
   7. Continuation/transition planning
   8. Savings accounts
      a. HSA (IRC Section 223)
      b. MSA (IRC Section 220)
      c. FSA (IRC Section 125)

4. Other group Insurance
   (See Risk Management Planning topic for more information)
   a. Long-term care insurance
   b. Dental insurance
   c. Vision insurance

5. Taxation and income tax planning
a. Eligibility for tax deductions
b. Taxability of premiums paid by employer or employee
   1. Premiums taxable unless paid under an IRC Section 125 plan arrangement
c. Taxability of benefits

6. Integration with other areas of personal financial planning
a. Risk management planning
   1. Include coverages in overall assessment of insurance and risk management plan
b. Investment planning
   1. Consideration of investment components of group (UL and VUL) policies in asset allocation plan
   2. Impact of HSA investment on asset allocation plan
c. Retirement and financial independence planning
   1. Impact of potential continuation of benefits into retirement
   2. Decisions on replacing coverages for retirement
d. Estate planning
   1. Irrevocable assignment of group term life to an IDGT or ILIT
e. Charitable planning
   1. Naming a charity as beneficiary

E. Other employee benefits

1. Provided for employee satisfaction and retention
2. Examples (basic knowledge and tax implications testing only, details of features and tax treatment is not tested)
   a. Adoption assistance
   b. Dependent care assistance
   c. Educational assistance
   d. Employee achievement awards
      1. Awareness that TCJA added limitations on the form (specifics not tested)
   e. Financial, retirement, legal and tax planning advice
   f. Job placement or outplacement services (part of company downsizing)
   g. Meals
h. On premise athletic facilities
i. Qualified employee discounts
j. Qualified moving expenses

1. Includable in W-2 income for the employee recipient under TCJA. However, above-the-line moving expense deduction is eliminated under TCJA except for taxpayers who are members of the military on active duty who move pursuant to a military order.

2. Business deduction of employee reimbursements is generally allowed under TCJA.

k. Transit passes

1. Changes in deductibility under TCJA.

l. Transportation Fringes

1. Changes in deductibility and bicycle commuting benefit under TCJA.

m. Working condition fringes – like employer provided cell phones

n. De minimus gifts

F. Closely-held business basics

(See Estate Planning / Closely-Held Business Issues topic for more information)

1. Entity selection process

a. Corporations

   1. C-Corporations
   2. S-Corporations

      a. S-corp versus C-corp analysis (TCJA impacts)

   3. Associations taxable as corporations

b. Partnerships

   1. Limited liability companies (LLC)
   2. Limited liability partnerships (LLP)
   3. Limited partnerships
   4. General partnerships
   5. Pass through of tax benefits (TCJA impacts)

      a. 20% limit

         1. Loss limitations
b. Section 199A provisions

c. Definition of service business

c. Sole proprietorships

d. Trusts
  1. Electing small business trust (ESBT)
  2. Qualified subchapter S trust (QSST)

e. Family limited partnerships and LLCs

2. Valuation

3. Potential liquidity events

4. Income/cash flow

5. Employing spouse or children and FICA taxes

6. Liability issues

7. Maintaining and increasing value

8. Transitioning or converting to a retirement income producing asset

9. Key employee life insurance
8. Investment planning

A. Investing as a process

1. Phases in the investment planning process
   a. Planning
   b. Implementation
   c. Monitoring and updating

B. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for more information)

1. Regulatory environment
2. Professional responsibilities
   a. Application of Statement on Standards in PFP Services
   b. Fiduciary responsibilities
3. Business models and compensation methods
   a. Broker-dealer model
      1. Commissions
   b. Registered investment adviser (RIA) model
      1. Fee for service
      2. Assets under management (AUM) fees
   c. Dual-licensed
   d. Disclosure requirements under Statement on Standards in PFP Services

C. The planning phase

1. Determine and prioritize client goals
   (See the Personal Financial Planning Process / Gathering Data: Establishment of Financial Objectives and Identification of Constraints topic for more information)
   a. Client financial attitudes
   b. Client specific financial goals
      1. Time horizon
      2. Dollar needs
2. Gather information
   a. Identify client financial condition
      1. Personal financial statements
         a. Statement of financial position
         b. Statement of cash flows
   b. Assessing risk tolerance
      1. Risk attitude: indifferent, adverse, seeking
      2. Using a risk tolerance questionnaire
      3. Determining risk tolerance by client conversation
      4. Willingness versus ability (tolerance versus capacity)
   c. Identify unique needs
      1. Personal trust considerations
      2. Divorce/separation
      3. Caregivers
      4. Family health issues
      5. Small business owners
      6. Military service members
      7. Concentrated stock positions
      8. Elder planning and care issues
      9. Special needs
   d. Identify potential legal issues relating to the client’s situation
   e. Identify potential client liquidity constraints
      1. Emergency cash
      2. Goal spending within 5 years
      3. Debt management
   f. Identify human capital risks
      1. Employment risks – salary and income
      2. Pension entitlement
      3. Human factors (morbidity and mortality)

3. Perform financial analysis
   a. Compute required return
      1. Time value of money techniques
a. Using a financial calculator
2. Modeling and Monte Carlo simulation

b. Assess impact of investment risks
1. Systematic (un-diversifiable) risks: purchasing power, political, currency (exchange rate), interest rate, market, event
2. Unsystematic (diversifiable) risks: business, financial, liquidity, reinvestment, sector/industry, tax
3. Measuring investment risk

c. Evaluate economic and capital market expectations
1. Macroeconomic variables
   a. Inflation
   b. Interest rates
   c. Gross domestic product (GDP) growth
   d. Exchange rate
2. Expected impact of macroeconomic variables on capital markets

d. Gauge impact of unique needs

e. Review taxation and income tax planning
1. Taxation of investment returns
   a. Classification of assets by taxability
      1. Ordinary income assets
      2. Capital assets (IRC Section 1221)
         a. Short-term vs. long-term gains and tax treatment
            1. Exceptions to general rule for long-term gains
               a. Collectibles
               b. Rental real estate (unrecaptured Section 1250 gain)
            b. Wash sale rule
            c. Loss limitation rules
            d. IRC Section 1244 small business stock election
            e. Principal residence
      3. IRC Section 1231 assets
         a. Tax treatment of IRC Section 1231 assets
b. Depreciation recapture
   1. Personal property
   2. Real property

b. Marginal income tax rates
c. Qualified and nonqualified dividends
d. Tax-exempt income
e. Pre- and after-tax returns
f. Alternative minimum tax (AMT)
g. Deferring recognition of gain
   1. Like-kind exchanges (IRC Section 1031) changed under TCJA
   2. Involuntary conversions (IRC Section 1034)
   3. Section 1202 stock – Gain on sale could be zero

h. Use of annuities inside and outside of qualified plans
   1. Use of LLCs and LLPs with alternative investments

2. Tax strategies
   a. Capital gains
   b. Tax-free vs. taxable – asset location
c. Year-end tax planning – timing of income and deductions
d. Gifting strategies to minimize taxes
e. Loss harvesting and carryover
f. Kiddie tax rule impacts changed under TCJA
g. Tax bracket and tax bucket planning to meet specific goals (retirement, education)
   h. Investment fees no longer deductible with TCJA
   i. Distributions from trusts

f. Assess impact of constraints
   1. Time horizon – (See Goal Setting above)
   2. Liquidity
      a. Client liquidity needs
      b. Needs created by the financial plan
         1. Income taxes
         2. Estate transfer taxes
3. Investment flexibility

  g. Determine asset class allocation strategy
     1. Role of asset allocation and diversification
     2. Major steps in asset allocation
     3. Types of allocation strategies: strategic, tactical, insured
     4. Asset class definitions
        a. Equity vs. fixed income
        b. Global, US, international
        c. Developed and emerging markets
        d. Capitalization or size effect
        e. Growth and value investments
        f. Alternative investments
           1. Cryptocurrency (general concepts, not detailed)

  5. Risk issues
     a. Reduction and correlation
     b. Suitability based on risk tolerance and age

4. Develop the investment policy statement (IPS)
     a. Apply the client’s goals and information with the adviser’s analysis to produce the IPS for presentation to the client
     b. Components of the IPS document
        (sub-sections below correspond to sections in the IPS)
           1. Objectives
              a. Return
              b. Risk
           2. Constraints
              a. Time horizon
              b. Liquidity
              c. Taxes
              d. Legal issues of client’s situation
              e. Unique circumstances
           3. Asset class allocation strategy
           4. Duties and responsibilities
a. Client
b. Adviser(s)

5. Monitoring and review policy
   a. Rebalancing approach

6. Acknowledgement by all parties
   c. IPS as guiding document throughout the relationship

D. The implementation phase

1. Investment manager selection
   a. Criteria of a suitable manager
   b. Due diligence process
   c. Strategies that incorporate multiple advisers

2. 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
      1. Turnover
      2. Composition
      3. Expenses
      4. Tax implications
      5. Return
      6. Risk

3. Research organizations
   a. Stocks
   b. Bond ratings
   c. Mutual funds and exchange traded funds (ETFs)

4. Types of investment vehicles
a. Cash and equivalents
b. Guaranteed investment contracts (GICs)
c. Annuities: fixed, immediate, variable
d. Individual bonds: corporate and government securities
e. Individual stocks
f. Mutual funds
   1. Open-end vs. closed-end
   2. Load vs. no-load
   3. Passive vs. active management
g. Exchange-traded funds (ETFs)
h. Other pooled and managed investments
   1. Real estate
i. Alternative investments
   1. Hedge funds, private equity, commodities, precious metals, master limited partnerships (MLPs), publicly traded partnerships
   2. Restricted nature of alternative investments

5. 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
      1. Options
      2. Futures
      3. Short selling
      4. Buying short ETFs
   h. Leverage
      1. Use of margin accounts
   i. Concentrated portfolios
      1. Risks of concentrated portfolios
2. Strategies for reducing risk or diversifying concentrated portfolios
   j. Like-kind exchanges

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

E. The monitoring and updating phase
   1. Measuring performance and goal achievement
      a. Calculating returns
         1. Simple vs. compound return
         2. Arithmetic vs. geometric (time-weighted) average returns
         3. Holding period return
         4. Real return (after-tax and inflation)
         5. Internal rate of return (dollar-weighted)
         6. Fixed income returns
            a. Yield
            b. Duration
         7. Risk calculations: standard deviation, Sharpe ratio
   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 (as discussed in the IPS)
a. Buy and hold
b. Strategic or constant mix
c. Tactical
d. Insured
e. Tax considerations
f. Timing and methodologies to rebalance

4. Coordinating with all of the client’s financial advisers and representatives

F. Integration with other areas of personal financial planning

1. Risk management planning
   a. Availability of funds for required premiums
      1. Particularly in worst case economic environment situations
   b. Applicability of unique life insurance and annuity characteristics in the asset allocation plan
   c. Uses of life insurance for:
      1. Funding trusts for specific purposes
      2. Providing liquidity for concentrated stock positions
      3. Planning for closely held business owner needs (buy/sell, estate liquidity)
   d. Use of appropriate guaranteed cash flow products (annuities, etc.) to meet retirement fixed expenses

2. Retirement and financial independence planning
   a. Adequacy of current and projected assets for retirement needs
   b. Appropriate investments for:
      1. Longevity needs
      2. Liquidity and emergency needs
   c. Clear objectives in the IPS for retirement needs
   d. Asset allocation plan decisions impacted by
      1. Retirement income decisions (working, delay Social Security, etc.)
      2. Changing retirement cash flow needs
   e. Coordination of retirement income needs with capital gains harvesting
   f. Impact of taxable, tax deferred, or tax-free investments on retirement withdrawal decisions
3. Estate planning
   a. Investment vehicle selection and asset allocation decisions for:
      1. Meeting legacy desires
      2. Funding liquidity needs for:
         a. Estate administration needs
         b. Estate tax needs
   b. Appropriate use of trusts to hold investments and meet the client’s goals
   c. Potential restrictions on selling concentrated stock positions
   d. Monitoring of decreased estate tax liquidity needs in market downturns

4. Charitable planning
   a. Effect of investment selection considering gifting objectives
   b. Use of charitable trusts to minimize taxes
   c. Clear objectives in the IPS for charitable intent
   d. Cash flow considerations for annual donation decisions
   e. Effect of market downturns on annual charitable donation plans

5. Elder planning
   a. Updating asset allocation

6. Education planning
   a. Appropriate investments for education funding
   b. Clear objectives in the IPS for education needs

7. Other PFP areas
   a. Succession planning for the closely held business owner to convert business investment into retirement asset
   b. Use of family limited partnerships (FLPs) to meet needs of closely held business owner
   c. Planning for the income or insurance needs for an ex-spouse
9. Retirement and financial independence planning

A. Financial independence planning process

1. Determine and prioritize client goals and related expenses

2. Gather information
   a. Retirement assets
   b. Retirement income
   c. Retirement benefits
   d. Retirement expense needs

3. Perform financial analysis
   a. Assumptions and risks
   b. Tax planning considerations
   c. Integration with overall financial plan

4. Create and present the proposed retirement plan
   a. The contribution plan
   b. The distribution (retirement income) plan

5. Implement, and regularly review and monitor the retirement plan

B. Regulatory & legislative environment

1. Employee Retirement Income Security Act (ERISA)
   a. Coverage
      1. Safe harbor
      2. Ratio percentage
      3. Average benefits
   b. Eligibility
   c. Vesting
   d. Top heavy
   e. Non-discrimination testing
      1. Average deferral percentage (ADP)
      2. Actual contribution percentage (ACP)
   f. Contribution and benefit limits
**C. Determine and prioritize client goals and related expenses**

1. Setting goals
   a. Essential versus discretionary (needs versus wants)
   b. Impact on spouse and family

2. Quantifying goals
   a. Dollar specificity
   b. Time specificity
   c. Health considerations – now and after retirement

3. Budgeting for retirement (or financial independence) goals during working years

**D. Gather information**

1. Determine current retirement assets
   a. Government and non-profit plans
      1. IRC Section 457
      2. IRC Section 403(b)
   b. Employer-sponsored retirement plans
      1. ERISA qualified defined benefit plans
         a. Defined benefit pension plan
         b. Cash balance pension plan
      2. 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. IRC Section 401(k)
   1. Roth 401(k)
   2. Safe harbor 401(k)
   3. Solo 401(k)
g. Employee stock ownership plan (ESOP)
h. Stock bonus plan
3. Other employer plans
   a. Simplified employee pension (SEP)
   b. Savings incentive match plans for employees (SIMPLE)
      1. SIMPLE IRA
      2. SIMPLE 401(k)
   c. IRC Section 412(i)
   d. Keogh (HR-10)
e. Deferred compensation plans
      1. See Employee and Business-Owner Planning topic for more information
4. Employer 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
h. Pension vs. profit-sharing plans
i. Defined benefit vs. defined contribution plans
j. Employee retention – matching versus non-matching
   c. Personal retirement savings vehicles
1. Individual retirement accounts (IRA)
   a. Traditional IRA versus Roth IRA and characteristics of each
   b. Roth IRA conversions
      1. Recharacterization eliminated under TCJA

2. Deferred annuity

3. Taxable accounts

4. Employee stock purchase plan

5. Life insurance

6. Other potential retirement assets
   a. Business as a retirement asset
   b. Vacation homes

2. Determine potential sources of retirement income
   a. Government sources
      1. Social Security
         a. Eligibility
         b. Benefit determination
            1. Benefit maximization strategies
         c. Taxation of benefits
         d. Reduction of benefits
      b. Personal sources
         1. Employer-sponsored retirement plans
         2. Personal savings
         3. Salary continuation
         4. Employment during retirement
         5. Inheritances

3. Determine other retirement benefits
   a. Government programs
      1. Medicare
         a. Eligibility
         b. Benefit coverage
            1. Part A – Hospital
2. Part B – Medical
3. Part D – Prescription drug

2. Medicaid

4. Determine retirement expense needs
   a. Understanding current expenses versus projected retirement needs

E. Perform financial analysis

1. Key assumptions
   a. Inflation
   b. Portfolio rate of return
   c. Life expectancy
   d. Income tax considerations
   e. Employment in retirement part-time
   f. Sustainable withdrawal rate

2. Key risks
   a. Longevity
   b. Mortality
   c. Investment
   d. Inflation
   e. Health/healthcare
      1. Disability
      2. Housing and special care needs
      3. Other health care issues
   f. Political/policy
   g. Default
   h. Illiquidity
   i. Retirement expenses burn rate
   j. Unforeseen circumstances
   k. Tax law changes
   l. Housing and moving
      1. Family dynamics – moving closer to kids who tend to be more mobile themselves
2. Financial impact
   a. State income and estate tax differentials
   b. Cost of living differences

3. Use of modeling techniques

4. Taxation and income tax planning
   a. Additional tax planning for inheritances
   b. Incorporating tax rate diversification in the choice of retirement savings vehicles
   c. Impact of loss harvesting for long-term versus short-term gains in the retirement planning process

5. Integration with other areas of personal financial planning
   a. Estate planning
      1. Determining clients’ desire to leave a legacy in goal setting step
      2. Review beneficiary designations
   b. Charitable planning
      1. Determining clients’ charitable intent regarding assets in goal setting step
      2. IRA qualified distribution
   c. Risk management planning
      1. Use of long term care and other insurances to protect the desired legacy
      2. Addressing health issues, such as long-term care needs, that can have an impact on expenses and appropriate insurance
      3. Addressing the role of cash flow products containing guaranteed cash flow payments
   d. Investment planning
      1. Establishing a savings plan early in career and understanding impact on later retirement decisions and risks
      2. Asset allocation plan that provides the cash flow needed for projected retirement expenses

F. Create and present the retirement planning implementation strategies
   1. Retirement contribution planning
      a. Taxation and income tax planning
         1. Employer tax savings
2. Employee tax savings
3. Household tax savings

b. Risk management tools and strategies
1. Budget for the contribution and expense management
   a. Maintaining a consistent and growing retirement savings rate
2. Asset allocation
3. Bond strategies

c. Integration with the investment policy statement (IPS)

2. Retirement distribution optimization planning (income management)
   a. Taxation and income tax planning
      1. Qualified plans
         a. IRC Section 72(t) early withdrawal penalty
            b. Required minimum distributions
         c. ERISA qualified plans
            1. Annuity options
            2. Lump-sum distributions
               1. Net unrealized appreciation
               2. Pre-1974 capital gains
            d. Qualified domestic relations order (QDRO)
   b. Retirement risk management tools and strategies
      1. Annuities
         a. Non-tax considerations of annuitization choices (longevity, etc.)
      2. Sustainable portfolio withdrawals
         a. Managing interaction between qualified and non-qualified assets
      3. Asset allocation
      4. Bond strategies
      5. Reverse mortgage
      6. Long-term care insurance
      7. Longevity insurance
      8. Budget and expense management
         a. Working beyond desired retirement age to compensate for lack of savings
b. Caring for aging parents and children - sandwich generation
c. Paying for non-covered medical expense, i.e., Medigap insurance

G. Implement, review and monitor plans

1. Implementation
   a. Contributions
      1. Establish appropriate titled savings vehicles
      2. Initiate regular funding arrangements
   b. Distributions
      1. Reposition assets to align with income management plan
      2. Initiate withdrawals to fund planned retirement needs and desires

2. Review and monitoring, at least annually
   a. Changes in client’s life situation, financial situation, or goals
   b. Changes in economy or capital markets
   c. Changes to retirement strategies to address changing situations

H. Integration with other areas of personal financial planning

1. Elder and special needs planning
   a. Impact of special needs children/adults on retirement planning
10. Elder, special needs, and chronic illness planning

A. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for broader information on this topic)

1. Professional responsibilities and application of standards in the elder market
   a. Fiduciary standard
   b. Awareness of signs of elder financial abuse

2. Coordination with all involved parties (family and professional)
   a. Family relationships
      1. Spouses, adult children and extended family of elderly clients
      2. Coordinating family meetings
      3. Questions to ask their elderly parents
   b. Elder law attorneys
   c. Geriatric care managers/aging life care managers
   d. Home health aides
   e. Community resources
   f. Government agencies and programs for special needs

B. Non-financial factors

1. The need for planning in advance and determining when elder planning “starts”
   a. Recognition of needs and changes in behavior and capacity

2. Overview of the types of care and related decisions
   a. Home care
   b. Custodial care
   c. Hospice care

3. Communicating with cognitively or physically impaired clients
   a. Recognizing change in behavior

4. Family dynamics and dealing with differences

5. Life planning for caregiver and family of the elderly and special needs children/adults
C. Financial decisions

1. Personal finances
   a. Financial fraud
   b. Debt issues
   c. Budgeting and planning
      1. Bill paying needs
      2. Increased costs of healthcare and prescription drugs
      3. Healthcare emergencies
   d. Special needs trusts – incapacity
      1. Organization of trust documents
   e. Cash management strategies with respect to on-going care of special needs children
   f. Asset shifting
      1. Transfers
      2. Gifting
      3. Qualifying for government programs

2. Housing decisions
   a. Financial analysis and decision support
      1. Closely tied to healthcare decisions
   b. Housing options
      1. Independent living
         a. Changes to structures in home to accommodate needs
      2. Assisted living
      3. Nursing homes
      4. Continuing care retirement communities (CCRCs)

3. Healthcare decisions
   a. Funding sources
      1. Government programs
         a. Medicare
         b. Medicaid
         c. Veteran’s benefits
   b. Insurance options
1. Medigap
2. Supplemental policies
3. Long-term care insurance (LTCI)
   a. Asset-based long-term care insurance

C. Other sources
1. Personal investments
2. IRC Section 529A ABLE accounts
   a. Additional contributions by beneficiary allowed under TCJA
   b. Rollovers from IRC Section 529 plans allowed under TCJA
3. Reverse mortgages
   d. Financial decisions around the types of care
      1. Home care
         a. Payment of help
         b. Tax planning and compliance
         c. Understanding and triggering LTCI benefits
      2. Custodial care
      3. End of life decisions
         a. Burial
         b. Finances
      4. Survivorship decisions

D. Taxation and income tax planning
1. Elderly failing to file tax return – what to do
2. Planning to reduce taxation of Social Security benefits
3. Deductibility of assisted living costs – what is and what is not deductible
4. Trust accounting and taxation

E. Integration with other areas of personal financial planning
1. Estate planning
   a. Review and update of current documents
      1. Healthcare proxy
      2. Power of attorney (all types)
3. Wills

4. HIPPA privacy authorizations
   b. Living wills and end of life directives
   c. Qualified terminal interest property (QTIP) trusts for second marriages
   d. Medicaid trusts
   e. Personal residence trusts

2. Charitable planning
   a. Charitable remainder trust (CRT)
   b. Charitable lead trust (CLT)

3. Investment planning
   a. Asset allocation given changing needs
      1. More clarity on strategies for groupings of assets expected to be spent during lifetime (more conservative) versus those expected to be passed to heirs (more aggressive)
      2. Advising on suitability in the face of cognitive impairment
   b. Changes to withdraw strategies in light of age and health considerations
   c. Suitability, in light of overall elder circumstances

4. Risk management planning
   a. LTC insurance (triggers to activate)
   b. Need for life insurance policies and alternative uses (viatical settlements)
   c. Umbrella liability policies
   d. Disability retirement
   e. Social Security benefits
   f. Continuation of life insurance

5. Retirement and financial independence planning
   a. Use of annuities
      1. Longevity annuities
   b. Survivorship decisions on pensions
   c. Impact of chronic and terminal illness on pension benefits
11. Education planning

A. Education planning process
   1. Gather objectives, needs, and costs
   2. Assess potential for financial aid
   3. Assess funding methods available
   4. Assess funding strategies
   5. Develop and present recommendations
   6. Implement, monitor, and update the plan

B. Gather objectives, needs, and costs

(See Personal Financial Planning Process / Gathering Data: Establishment of Financial Objectives and Identification of Constraints topic for general information)

   1. Identify client’s plans and subsequent costs
   2. Assess constraints: time horizon, risk attitudes, contribution abilities, external risks

C. Assess potential for financial aid

   1. Financial aid formula
      a. Free Application for Federal Student Aid (FAFSA) application
   2. Scholarships
   3. Loans
      a. Student loans
         1. Stafford loans
         2. Perkins loans
      b. Parent loans
         1. PLUS loans
      c. Private loans
      d. Consolidation loans
      e. Loan forgiveness programs
         1. Qualifying professions
      f. Family loans
      g. Home equity loans no longer deductible for this purpose under TCJA
4. Work opportunities

D. Assess funding methods

1. 529 plan accounts and qualified tuition programs
   a. Ability to use $10,000 per year from 529 plans for elementary and secondary schools under TCJA
      1. Examine homeschool situation carefully to determine if considered a school
      2. Pros and cons of early distributions
   b. Ability to roll over 529 plans to ABLE accounts with annual limits under TCJA

2. Coverdell Education Savings Accounts

3. Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA)

4. Prepaid tuition programs

5. Savings bonds

6. Taxable accounts

7. Gifts directly paid to schools

E. Assess factors to consider and funding strategies

1. Factors
   a. Account ownership
   b. Risk management
   c. Inflation rate of educational costs
   d. Impact of potential decision not to attend college

2. Savings vehicles
   a. Use of mutual funds
      1. Target date funds
   b. Use of life insurance
   c. Use of Roth IRA

3. Funding strategies
   a. Saving
   b. Gifting
   c. Debt/mortgages
      1. Parents
2. Student

F. Taxation and income tax planning

1. Income
   a. Taxation of scholarships/fellowships
   b. Exclusions from income
      1. Employer provided educational assistance
      2. Student loans discharged due to death or total and permanent disability under TCJA

2. Deductions
   a. Tuition and fees deduction
   b. Student loan interest deduction
   c. Employee work-related expenses no longer deductible under TCJA

3. Credits
   a. American Opportunity Tax Credit
   b. Lifetime Learning Credit

G. Integration with other areas of personal financial planning

1. Risk management planning
   a. Use of life insurance for risk management
   b. Disability considerations
   c. Student loan interest cost as significant living expense
   d. Impact of loan defaults on credit score

2. Retirement and financial independence planning
   a. Use of retirement plan withdrawals or loans
   b. Dangers of funding education need instead of retirement need

3. Estate planning
   a. Opportunities for multi-generational gifting and estate planning
   b. Use of trusts for education
   c. Coordination with annual exclusion gifts and accelerating five years of giving to a 529 plan in one lump sum
4. Investment planning
   a. Asset allocation considerations for education funding
   b. Use of target funds
12. Special situations

A. Housing

1. Determine objectives
   a. Primary residence versus vacation home

2. Sale of personal residence
   a. Exclusion (IRC Section 121)
      1. Qualification requirements
      2. Limitations
      3. Combination residence/rental
   b. Strategy to convert second home to residential rental to obtain deductions under TCJA

3. Integration with personal financial plan

B. Divorce

1. Determine income needs
2. Assist in evaluation of splitting of assets and liabilities
3. Assess financial planning and tax consequences
   a. Property settlement rules
   b. Alimony, child support and property payments
      1. Grandfathered rules for alimony under TCJA
      2. Not deductible if divorce is final after 12/31/2018 under TCJA
   c. Dependency exemption repealed under TCJA, but definition still used for child tax credit
   d. Retirement plan asset division
      1. QDRO opportunities and pitfalls

4. Integrate new single status into financial plan
5. Child support

C. Household employees

1. Payroll taxes updated under TCJA
2. Workers Compensation new tables under TCJA
3. Employment practices liability insurance (EPLI)
   a. Sexual harassment
   b. Umbrella