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## ***Sample Engagement Letter—General***

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*This sample engagement letter provides nonauthoritative guidance to assist with compliance with Statement on Standards in Personal Financial Planning Services (SSPFPS) No. 1 (the statement) published by the American Institute of CPAs (AICPA). This engagement letter is intended to be customized to meet the needs of the member's practice and individual engagements (see "Notice to Readers" at the end of the letter). The member should review language used in the engagement letter in conjunction with reviewing requirements of the statement. If investment advisory services are to be provided, an additional and separate investment adviser agreement compliant with all the regulatory requirements of the relevant state and federal regulators is recommended.*

[Date]

[Name and Address of Client]

Dear [Name of client]:

### **Introduction**

We are looking forward to working with you in designing your personal financial plan. The personal financial planning process is complex. It is an important step toward achieving personal financial goals. This letter is to confirm our mutual understanding of the terms and objectives of our engagement to provide you with personal financial planning services as well as the nature and limitations of the services we will provide.

We will prepare your personal financial plan after consideration of your financial objectives and goals, and your present and forecasted financial situation. Our services will encompass the following activities [select appropriate options]:

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

- Tax planning
- Other (specify)

The personal financial planning process requires your cooperation in providing us with various types of information and documents concerning your personal financial situation. We will be relying on your representations. If we are unable to obtain from you sufficient information to form a reasonable basis for conclusions and recommendations, our services in connection with this engagement may be limited to those matters for which sufficient information is available, and this may affect our conclusions and recommendations. Should this be the case, we will so advise you in writing.

If we are unable to obtain sufficient information to proceed with the engagement as contemplated and agreed, we will advise you and, as appropriate, discuss terminating or modifying the engagement with you. If we agree to modify or terminate the engagement, we will communicate that to you in writing.

We will keep your personal, non-public information strictly confidential. If your personal information needs to be disclosed when working with your other advisors or with other qualified professionals, we will ask your permission to do so. However, we may be required by legal or regulatory authorities to disclose confidential information without your permission.

### **Description of the Engagement**

#### **OPTION #1 (GENERAL)**

Our approach to the personal financial planning process will proceed as follows:

- The initial phase involves accumulating and organizing facts about your current and desired financial status and identifying your specific goals and objectives. This will be accomplished through a series of interviews and the data-gathering questionnaire and use of our knowledge of you from prior services.
- The next step involves analysis of the data accumulated and a review with you of your cash flows.
- Following this review and further analysis, we will then make our preliminary recommendations. A written draft of your plan will be prepared and presented to you.
- We then will finalize your plan and set time goals and establish responsibilities for the implementation of the plan. We will prepare, in writing, specific recommendations that will seek to address your financial goals. When appropriate, we will include financial illustrations and projections for greater understanding of potential outcomes of financial alternatives.

We are available to assist you in implementing the actions and strategies agreed upon as you deem appropriate. The nature and extent of our implementation services will be established at that time. Implementation of your plan is a separate engagement, and we will provide you with a separate engagement letter for that process when and if that becomes necessary.

## OPTION #2 (SPECIFIC)

Our approach to the personal financial planning process will include the following steps:

- We will schedule a preliminary meeting to assist you in defining short-term and long-term goals and to gather information about your family situation and major anticipated financial obligations.
- In addition to the quantitative data requested in our financial planning questionnaire,
- we will require copies of all pertinent documents, such as wills, trusts, investment holdings (and their cost bases), personal employment benefit statements, Social Security benefit statements, prior tax returns, and insurance coverages.
- We may require access to and discussions with your accountants, lawyers, insurance advisors, and other advisors or salespeople.
- After the information has been received, we will organize and review the data. We will analyze the quantitative information relating to tax liability (both income and estate), cash flow, net worth, risk management, and retirement. This should enable us to make appropriate projections with respect to your financial plan.
- Subsequent meetings may be required to verify the accuracy of the data and to allow you to validate the assumptions used in the projections. Our analysis and recommendations are based on information you provide, and it is essential that we receive correct information.
- Based on our analysis of the data, we will outline alternative strategies or courses of action to meet your immediate and long-term goals and objectives and to mitigate problems uncovered.
- At the conclusion of the engagement, we will prepare and discuss with you a report that includes our recommendations and projections.

We are available to assist you in implementing the actions and strategies agreed upon. The nature and extent of our implementation services will be established at that time. Implementation of your plan is a separate engagement, and we will provide you with a separate engagement letter for that process when and if that becomes appropriate.

### **Responsibility**

In order to ensure that your personal financial plan contains sound and appropriate financial planning recommendations, it is your responsibility to provide complete and accurate information regarding all aspects of your personal and financial situation. Responsibility for financial planning decisions is yours. We will aid you in the decision-making process, suggest alternative recommendations to help you achieve your objectives, and assist you in determining how well each alternative meets your financial planning objectives.

The suggestions and recommendations included in your personal financial plan will be advisory in nature, and we cannot guarantee the performance of any investment or insurance products that may be purchased to implement recommendations in your plan. The plan will also include financial projections based on assumptions about future events. We cannot vouch for the achievability of such projections because the assumptions about future events may not prove to be accurate.

If in the course of this engagement we become aware of a service needed to complete the engagement that we do not or will not provide, we will advise you of that needed service and recommend to you in writing that you engage another service provider to address that service. If you decline to engage such recommended service provider, and we determine that such action impairs our ability to properly address the terms of this engagement, we will so advise you, in writing, and terminate this engagement. If you decline to engage such recommended service provider and we determine that our ability to properly address the terms of this engagement is not impaired, but may be limited in some way, we will advise you, in writing, with respect to how we believe our conclusions and recommendations may be affected.

We cannot be responsible for the acts, omissions, or solvency of any broker, agent, or independent contractor or other advisor or professional selected to implement any part of your personal financial plan. Our services are not designed, and should not be relied upon, as a substitute for your own business judgment nor are they meant to mitigate the necessity of your personal review and analysis of a particular investment. Our services are designed to supplement your own planning analysis and to aid you in fulfilling your financial objectives.

In addition, these services are not designed to discover fraud, irregularities, or misrepresentations made in materials provided to us concerning your potential investments or insurance coverages.

### **Other Service Providers**

#### **OPTION #1**

In the event we refer you to another service provider, we will not receive any compensation, directly or indirectly, for making such a referral.

#### **OPTION# 2**

In the event we refer you to another service provider, we will disclose to you, in writing, any compensation we receive for making such a referral. We will [not] evaluate the work performed by the referred service provider.

#### **OPTION #3**

In the event we refer you to another service provider, we will disclose to you, in writing, any compensation we receive for making such a referral. We will, as part of our engagement, evaluate the work performed and the advice given by such service provider(s). If we do not concur with the advice provided by such service provider(s) we will communicate our nonconurrence to you in writing.

### **Description of Fees**

#### **OPTION #1**

Our estimated fee for the services previously described will be \$[insert amount] plus out-of-pocket expenses. We will submit our bill monthly as services are performed, and it will be due and payable upon receipt. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation as well as plan monitoring and updating, if needed, are separate engagements. If you choose one of these additional services, a separate engagement letter will be provided. These services will be billed separately.

## OPTION #2

The fee for this planning service will be based on our regular hourly rates of \$[insert amount] per hour plus out-of-pocket expenses. We project our fee will range between \$[insert amount] and \$[insert amount], plus direct out-of-pocket expenses for the initial plan development. Plan implementation as well as plan monitoring and updating, if needed, are separate engagements. If you choose one of these additional services, a separate engagement letter will be provided. These services will be billed separately.

## OPTION #3

Our estimated fee for the service previously described will be based on our standard hourly rates of \$[insert amount] per hour and should range from \$[insert amount] to \$[insert amount]. We will submit our bill monthly, as services are performed, and it will be due and payable upon receipt. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation as well as plan monitoring and updating, if needed, are treated as separate engagements. If you choose one of these additional services, a separate engagement letter will be provided. These services will be billed separately.

## OPTION #4

The professional relationship described in this letter will be for 12 months, commencing on the date of this letter, and ending 12 months thereafter. Our compensation is based on a flat fee of [insert amount]. Payment is due in three installments: [insert amount] due with the acceptance of these terms, [insert amount] due on [insert date], and [insert amount] due on [insert date]. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation as well as plan monitoring and updating, if needed, are as separate engagements. If you choose one of these additional services, a separate engagement letter will be provided. These services will be billed separately.

## **Conflicts of Interest [Refer also to "Other Service Providers"]**

### OPTION #1

We have no conflicts of interest in the acceptance of this engagement. We will advise you of any conflicts of interest, should they arise.

### OPTION #2

We have a conflict of interest. [Insert description of conflict.] We will advise you of any other conflicts of interest, should they arise.

## **Concluding Remarks**

You will, of course, be free to follow or disregard, in whole or in part, any recommendations we make. You are under no obligation to act on any recommendation. Because you did not engage us to assist you with the implementation of your personal financial plan, we cannot be responsible for any decisions you make regarding implementation of the recommendations. [Optional: At your request, we will be happy to coordinate implementation, as a separate engagement, with any insurance broker, investment broker, attorney, or other professional of your choosing.]

We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign one copy of this letter in the space provided and return it to us. The additional copy is for your files.

This engagement may be terminated without penalty or further obligation except for the payment of fees for services performed and expenses incurred prior to termination.

We agree that we will not assign this engagement without your prior written approval.

If we can be of assistance to you in any other way, please do not hesitate to contact us. We look forward to helping you develop and maintain a sound, businesslike approach to your personal financial affairs.

We thank you for the opportunity to be of service. We anticipate beginning the engagement sometime after *[insert date]*. If you have any questions, please call us at *[insert phone number]*.

Very truly yours,

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*[Firm Name]*

*We agree to the terms of the engagement described in this letter.*

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*[Client Name]*

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*[Signature]*

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*[Date]*

### **Notice to Readers**

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