

A person in a dark suit is holding a rolled-up document with 'BUSINESS' written on it. They are also holding a light-colored leather briefcase. The background is blurred, showing what appears to be a city street.

QAFP™ and CFP® Study Guide

 PlannerPrep

Table of Contents

Introduction.....	8
CFP Exam Overview.....	8
Eligibility.....	8
Financial Planning Functions	8
Financial Planning Areas	8
Competency Requirements	9
FP Canada Continuing Education / Credits	9
Financial Planning Body of Knowledge (BoK)	9
Financial Planning Practices and Ethics.....	19
Competency Requirements	19
Body of Knowledge Mapping.....	20
Financial Planning Profession.....	21
FP Canada Financial Planning Practice Standards	21
FP Canada Code of Ethics	22
Professional Skills.....	28
Fitness Standards.....	30
Key Client Considerations	31
Client Situational Awareness.....	32
Regulatory Environment.....	33
Consumer Protection	34
Financial Management.....	37
Competency Requirements	37
Body of Knowledge Mapping.....	38
Issues to Identify From Financial Situation.....	39
Savings.....	39
Emergency Fund	39
Tax Free Savings Account (TFSA).....	40
Registered Education Savings Plan (RESP)	41
Informal Trust Accounts.....	46
Lifelong Learning Plan.....	47
Registered Disability Savings Plan (RDSP).....	48
Types of Credit.....	50
Debt Repayment.....	51
Credit Adjudication	51
Delinquency / Insolvency / Bankruptcy.....	52
Revolving Credit Facilities	53
Installment Credit Facilities	54
Leases.....	56
Mortgages.....	56
Debt Ratios	60
Canada Mortgage and Housing Corporation (CMHC)	61
First-Time Home Buyers Plan (HBP)	63
First-Time Home Buyers' Tax Credit.....	64

Behavioural Finance	64
Heuristics and Biases	65
20 Common Biases	65
Brain	67
Behavioural Finance & The Advisor	69
Behavioural Biases in Clients	70
Investment Planning	73
Competency Requirements	73
Foundation of Investment.....	75
Investment Marketplace.....	76
Asset Classes	77
Other Asset Classes	81
Investment Products	84
Investment Structures.....	87
Asset Allocation	91
Asset Location	92
Rebalancing.....	92
Investment Strategies	93
Portfolio Monitoring & Evaluation.....	94
Portfolio Returns, Risk & Valuation.....	97
Effective Annual Rates.....	100
Economics.....	101
Financial Statements	105
Ratios	106
Insurance and Risk Management	108
Competency Requirements	108
Competency Profile.....	108
Risk Management Overview	109
Property and Casualty Insurance.....	110
Automobile Insurance	111
Homeowners' Insurance.....	111
Liability Insurance.....	112
Health Care Insurance	112
Disability Insurance.....	113
Life Insurance	116
Permanent / Whole Life Insurance.....	119
Universal Life (UL)	120
Critical Illness	123
Long Term Care Insurance	125
Group Insurance.....	126
Charity and Life Insurance.....	127
Advanced Uses of Life Insurance	127
Insurance for Corporations	129
Taxation of Insurance	130
Other Insurance Concepts.....	132

Annuities.....	132
Segregated Funds & GMWBs.....	136
Taxation Planning	140
Competency Requirements	140
Effective Tax Planning Summary	141
Tax Forms, Tax Rates & Tax Rules	142
Tax Deductions & Credits.....	146
Taxable Fringe Benefits.....	150
Automobile Benefits	151
Stock Option Benefits.....	152
Retiring Allowance For Employees.....	152
Listed Personal Property.....	153
Education Planning.....	154
Eligible Capital Property.....	156
Dividend Income	157
Non-Taxable Income & Benefits.....	157
Rental Income.....	158
Superficial Loss.....	159
Alternative Minimum Tax (AMT).....	160
Income Attribution Rules	160
Tax Consequences at Death.....	161
Charitable Donations as a Tax Strategy	165
Capital Gains Reserve.....	166
Principle Residence Exemption.....	166
Tax Avoidance vs. Tax Evasion vs. Tax Minimization vs. Tax Planning	167
Anti-Avoidance Rule	167
Corporations	168
Canadian Controlled Private Corporation.....	169
Dividends vs. Salary.....	171
Capital Dividend Account.....	171
Allowable Business Investment Losses (ABIL).....	172
Lifetime Business Capital Gains Exemption	172
Taxation of Partnership	172
Tax Shelters.....	173
US Taxation.....	174
International Tax Issues	178
Self-Employed	178
Retirement Planning	182
Competency Requirements	182
Retirement Foundations.....	183
Retirement Planning Process	184
Steps in the Retirement Planning Process	185
Retirement Planning	185
Pensions – 3 Pillars	186
Pension Income	186

Canada Pension Plan (CPP)	187
CPP – Post Retirement Benefits (PRB)	188
CPP Provisions & Benefits.....	189
CPP Enhancement.....	194
Old Age Security (OAS).....	195
Guaranteed Income Supplement.....	196
Registered Pension Plans (RPP).....	197
Defined Benefit Pension Plans	199
Pension Adjustments (PA).....	202
Multi-Employer Pension Plans.....	204
Pooled Registered Pension Plan (PRPP).....	204
Pension Buyback.....	204
Pension Commutation	205
Target Benefit Plans (TBP)	207
Locked in Retirement Account (LIRA).....	207
Life Income Fund (LIF)	208
Registered Retirement Savings Plan (RRSP)	210
Spousal RRSP	216
Registered Retirement Income Fund (RRIF)	217
Individual Pension Plans (IPPs)	219
Retirement Compensation Arrangements (RCAs)	220
Salary Deferral Arrangements	222
Retiring Allowances.....	222
Deferred Profit-Sharing Plans (DPSP)	223
Eligible Funeral Arrangement.....	224
Other Topics.....	224
Retirement Calculation Tips	224
Estate Planning and Legal Aspects.....	227
Competency Requirements	227
Estate Planning Process.....	228
Trusts	229
Testamentary Trust.....	231
Inter Vivos Trust (Living Trust)	233
Alter Ego Trust & Joint Partner Trust	235
Power of Attorney (POA).....	236
Living Wills and Advance Health Care Directives.....	237
Probate	238
Intestate	239
Wills	240
Clauses in a Will.....	242
Executors.....	244
Estate Planning Strategies	245
Informal Trusts	247
Henson Trust	247
Other Trusts	248
Tax Implications at Death	249

Estate Freeze.....	249
Buy-Sell Agreements	250
Foundations of Law	252
Family Law Overview	252
Divorce	255
Annulment of Marriage	255
Contracts.....	256
Agency	259
Bankruptcy Law in Canada.....	262
Forms of Business Entities	262
Personal Property Ownership.....	267
Joint Tenancy	268



INTRODUCTION & GUIDE

Introduction

CFP Exam Overview

The CFP Exam is a six-hour, computer-based exam consisting of stand-alone, multiple-choice, and case-based constructed-response questions. Each question focuses on elements of the FP Canada Competency Profile, including the integration across several financial planning areas. It is administered twice per year.

Please refer to the Guide to the CFP Examination from FP Canada:

<https://www.fpcanada.ca/docs/default-source/standards/guide-to-cfp-examination.pdf>

Eligibility

To write the exam, you must have successfully completed:

- FP Canada Approved Core Curriculum education program
- FP Canada Institute Introduction to Professional Ethics
- FP Canada Approved Advanced Curriculum program
- FP Canada Institute CFP Professional Education Program

Please refer to the FP Canada website, <https://www.fpcanada.ca/> for specific details surrounding eligibility

Financial Planning Functions

- **Collection:** gathering the client's information
 - Gathering both quantitative and qualitative information
 - Identifying relevant facts and documentation
 - Preparing and organizing information in a way that allows for appropriate analysis
- **Analysis:** assesses the client's situation and identifies and evaluates appropriate strategies
 - Identifying issues and opportunities
 - Performing required calculations
 - Developing projections
 - Preparing and assessing the resulting information to identify and evaluate appropriate strategies
- **Recommendation:** develops recommendations to help optimize the client's situation
 - Developing recommendations, in order of priority, that help meet the client's personal goals, needs and priorities

Financial Planning Areas

The following six areas, together with Fundamental Financial Planning Practices, comprise the whole of financial planning competencies:

- Financial Management
- Investment Planning

- Insurance and Risk Management
- Tax Planning
- Retirement Planning
- Estate Planning and Legal Aspects

Competency Requirements

Competency involves the application and integration of knowledge, skills, attitudes, and judgements that allow students to perform specific job functions

Within each book of this guide, competency requirements for each planning area will be summarized, but we strongly recommend that you review and study the full competency profile provided by FP Canada.

Questions on the examination are competency-based, not knowledge-based – they don't test your technical knowledge, but rather the application of that knowledge.

FP Canada Continuing Education / Credits

- CFP Professionals must complete **25 hours of Continuing Education (CE) annually** to renew certification.
- QAFP/CFP Professionals must complete **12 hours of CE annually**

	CFP Professionals		QAFP/CFP Professionals	
	25		12	
Breakdown by Category	Annual Credit Requirements	Carry-Over Permitted to Next Calendar Year	Annual Credit Requirements	Carry-Over Permitted to Next Calendar Year
Financial Planning	10 minimum	25 maximum	7 minimum	12 maximum
Professional Responsibility	1* minimum	No**	1 minimum	No**
Practice Management	No minimum 5 maximum	No	No minimum 5 maximum; combined for all categories	No
Product Knowledge	No minimum 5 maximum	No		No
Giving Back	No minimum 5 maximum	No		No

* Additional credits in the Professional Responsibility category may be applied under the Financial Planning category

Financial Planning Body of Knowledge (BoK)

While both certifications draw from the same Body of Knowledge, the knowledge expectations for the CFP professionals are broader and must provide advice at the highest level of complexity required of the profession.

The FP-BoK is the underpinning of the FP Canada Competency Profile and is critical to demonstrating competence in each of the financial planning areas discussed in the previous section.

The FP-BoK is periodically reviewed and updated by FP Canada to ensure its content remains current. This Guide will be updated on an annual basis to ensure it captures any changes to the FP-BoK from FP Canada.

Knowledge Topics

- Financial Planning Profession and Financial Services Industry Regulation
- Financial Analysis
- Credit and Debt
- Registered Retirement Plans
- Government Benefit Plans
- Registered Education and Disability Plans
- Economics
- Investments
- Taxation
- Law
- Insurance
- Human Behaviour

Knowledge Expectations

The following chart provides an overview of the knowledge topics, sub-topics and the areas where CFP professionals are expected to have a greater depth of knowledge:

KNOWLEDGE AREA	SUB-AREA	QAFP/CFP & CFP PROFESSIONALS	CFP PROFESSIONALS ONLY
01 Financial Planning Profession and Financial Services Industry Regulation	Financial Planning Profession	*	
	Securities and Mutual Fund Regulation	*	
	Insurance Regulation	*	
	Financial Services Industry Oversight	*	
	Consumer Protection	*	
	Time Value of Money	*	

02 Financial Analysis	Personal Financial Statements	*	
	Financial Statements for an Organization	*	
03 Credit and Debt	Foundations of Credit	*	
	Types of Credit	*	
	Terms of Credit	*	
	Installment Credit Facilities	*	
	Revolving Credit Facilities	*	
	Business Credit Facilities	*	
	Credit Adjudication	*	
	Debt Repayment	*	
	Delinquency	*	
	Insolvency	*	
04 Registered Retirement Plans	Foundations of Retirement	*	
	Registered Retirement Savings Plans (RRSP)	*	
	Tax-Free Savings Account (TFSA)	*	
	Foundations of Pension Plans	*	
	Defined Benefit (DB) Pension Plans	*	
	Defined Contribution (DC) Pension Plans	*	
	Pension Buyback and Commutation		*

	Pooled Registered Pension Plans (PRPP)	*	
	Deferred Profit-Sharing Plans (DPSP)	*	
	Specified Pension Plan (SPP)	*	
	Locked-In Retirement Savings Vehicles	*	
	Registered Retirement Income Fund (RRIF)	*	
	Locked-In Retirement Income Vehicles	*	
	Annuities	*	
	Eligible Funeral Arrangements (EFA)	*	
	Options upon the Death of Parties to Registered Retirement Plans		*
	Registered Retirement Plans for Owners and Key Employees of a Business		*
05 Government Benefit Plans	Canada Pension Plan (CPP) Retirement Pension	*	
	Canada Pension Plan (CPP) Post-Retirement Benefits	*	
	Canada Pension Plan (CPP) Survivor Benefits	*	
	Canada Pension Plan (CPP) Disability Benefits	*	
	Old Age Security (OAS) Pension	*	

	Old Age Security (OAS) Guaranteed Income Supplement (GIS)	*	
	Old Age Security (OAS) Allowance (ALW) and Survivor Allowance (ALWS)	*	
	Canada Child Benefit (CCB)	*	
	Child Disability Benefit (CDB)	*	
	Employment Insurance (EI) Regular Benefits	*	
	Employment Insurance (EI) Sickness Benefits	*	
	Employment Insurance (EI) Maternity and Parental Benefits	*	
	Employment Insurance (EI) Compassionate Care Benefits	*	
	Employment Insurance (EI) Benefits for Parents of Critically Ill Children	*	
	Employment Insurance (EI) Special Benefits for Self- Employed Individuals		*
	Workers' Compensation Programs	*	
	Income Assistance Programs	*	
	Foreign Pensions	*	
06 Registered Education and Disability Plans	Foundations of Education	*	
	Registered Education Savings Plan (RESP)	*	

	Foundations of Disabilities	*	
	Registered Disability Savings Plan (RDSP)	*	
	Options upon the Death of Parties to Registered Education and Disability Plans		*
07 Economics	Microeconomics	*	
	Macroeconomics	*	
08 Investments	Foundations of Investments	*	
	Investment Marketplace	*	
	Investment Objectives and Constraints	*	
	Investment Return and Risk	*	
	Asset Classes	*	
	Asset Allocation	*	
	Investment Structures	*	
	Investment Styles	*	
	Investment Accounts	*	
	Investment Buying and Selling Techniques	*	
	Leveraged Investing	*	
09 Taxation	Foundations of Tax	*	
	Relationships under Income Tax	*	
	Income Tax Assessment Rules for Individuals	*	

	Income Tax Assessment Rules for Corporations		*
	Income Tax Assessment Rules for Trusts		*
	Basic Income for Tax Purposes	*	
	Other Income for Tax Purposes		*
	Income Received by Self-Employed Business Owners		*
	Tax Deductions and Tax Credits for Individuals	*	
	Tax Deductions for Self-Employed Business Owners	*	
	Income Attribution	*	
	Foundations of Income Splitting for Individuals	*	
	Income Splitting for Investors		*
	Income Splitting for Self-Employed Business Owners		*
	Tax Shelters		*
	United States Taxation		*
	Tax Consequences at Death		*
	Trusts		*
	Estate Freezes		*
	Taxation of Business Ownership Structures		*
	Foundations of Law	*	

10 Law	Personal Property Ownership	*	
	Foundations of Family Law	*	
	Impacts of Relationship Breakdown		*
	Foundations of Estate Law	*	
	Estate Succession		*
	Powers of Attorney	*	
	Trust Law		*
	Foundations of Business Ownership Structures	*	
	Business Ownership Structures		*
	Contracts		*
11 Insurance	Foundations of Risk and Insurance	*	
	Property and Casualty Insurance	*	
	Health Care Insurance	*	
	Disability Insurance	*	
	Critical Illness Insurance		*
	Long-Term Care Insurance		*
	Foundations of Life Insurance	*	
	Advanced Uses of Life Insurance		*
	Creditor Insurance	*	
	Insurance for Corporations		*

	Taxation of Insurance		*
12 Human Behaviour	Decision-Making and Behaviour	*	
	Relationships	*	



FINANCIAL PLANNING PRACTICES AND ETHICS

Financial Planning Practices and Ethics

The CFP must apply fundamental financial planning practices to all six Financial Planning Areas. These elements relate to the integration and interrelationships among all the areas and are key to all financial planning engagements

Competency Requirements

Collection

- **Gathers client information**
 - Clients objectives needs and values that have financial implications
 - Identifies client goals, in terms that are specific and measurable
 - Documentation
 - Assets, liabilities, current and projected income, expenses, existence of Wills, POAs and other legal agreements
 - Client's legal issues
 - Spousal and child support obligations or entitlements outdated or invalid Wills, a prior CRA tax audit
 - Client's level of financial sophistication
 - Familiarity and expectations of financial planning
 - Have they had a financial plan previously? Current plans in place to reach certain goals.
 - Material changes in clients personal or financial situation
 - Changes in employment, marital status or children, new business interests or obligations, sale of assets, inheritances, or health issues
 - Prepares info to enable analysis
 - Prepare net worth, cash flow, budget statements MV and ACB of investments, breakdown of rental income and expenses and summary of insurance coverage

Analysis

- **Client situation and identifies and evaluates appropriate strategies**
 - Relative priority of each financial area relative to the overall plan
 - For example, risk mgmt. and estate planning might be number 1 given no insurance and a young family
- **Interrelationships among financial planning areas**
 - Competing demands on cash flow as well as opportunities to better utilize cash flows to meet multiple financial goals
 - For example, someone can focus on retirement planning and income splitting goals together (i.e. contributing to a spousal RRSP)

- **Opportunities and Constraints**
 - Client's current resources and plans may help or hinder goal attainment. For example, client might not have enough cash flow to contribute to both RESP and RRSP/TFSA – need help prioritizing
- **Impact of economic, political, and regulatory environments**
 - Inflation, taxation, interest rates, strength of the Canadian dollar, regulatory issues regarding investment, pensions, insurance, or other areas related to financial planning
- **Measures progress towards goals**
 - Projected net worth to current net worth and current savings and strategies in place to bridge the gap

Recommendations

- **Optimize client situation**
 - Establish relative priority of each recommendation
 - For example, purchase life/disability insurance and draft a Will for a client who is recently married with a child or review planned expenses or consolidation of debt for a client who is jeopardizing financial future through excessive spending
- **Recommendations into action steps**
 - Include all recommendations along specific action steps
 - Timetable for getting started, account references, persons and/or documentation required to assist and dates for completion
- **Appropriate cycle for review**
 - Establish a schedule for review considering normal business practices, client preferences and any unexpected changes in client or external circumstances
- **Necessity to revise recommendations**
 - Need to adjust the plan
 - Marriage, job change, shifting priorities, changes in external factors
 - Change in assumptions regarding inflation, interest rates and investment growth, asset allocation based on changing risk tolerance, life expectancy, estate plans and amount/type of insurance coverage

Body of Knowledge Mapping

The Financial Planning Body of Knowledge (FP-BoK) provides an overview of the knowledge expected of both QAFP/CFP and CFP professionals and comprises of 12 topics. In the **Financial Planning Practices and Ethics** section, the following topics will be covered:

- **Financial Planning Profession and Financial Services Industry Regulation**

Financial Planning Profession

Financial Planning is a disciplined, multi-step process. It involves assessing an individual's current financial and personal circumstances against his or her desired future state, and developing strategies that help meet those personal goals, needs and priorities.

- Over the last decade there have been major changes to the financial planning profession.
- Individuals are remaining single for a longer period and many older people are deciding to retire later, or simply not retiring at all. As well, people are living longer while defined benefit pension plans are in decline and being replaced by defined contribution pension plans, which puts the onus on the individual vs. their employer.

FP Canada Financial Planning Practice Standards

The Practice Standards provide guidance to planners when engaged in financial planning activities with clients:

- Establishes the practice activities expected of the planner in the delivery of services to the client
- Clarifies the standard practice to promote a common delivery of services
- Outlines respective roles and responsibilities of planners and clients in any engagements or meetings
- Serves the public interest by defining a level of service that protects client interests

Practice Standards

- Explain the Role of the Financial Planner and Value of the Financial Planning Process
- Define the Terms of the Engagement
- Identify the Client's Goals, Needs and Priorities
- Gather the Client's Information
- Assess the Client's Current Situation
- Identify and Evaluate the Appropriate Financial Planning Strategies
- Develop the Financial Planning Recommendations
- Compile and Present the Financial Planning Recommendations and Supporting Rationale
- Discuss Implementation Action, Responsibilities and Time Frames
- Implement the Financial Planning Recommendations

Fiduciary Relationships

- Depending on the type of relationship with a client, a financial planner may be considered a fiduciary. This means that the level of trust placed on the planner is substantially higher than average.
- The factors that help determine if a fiduciary relationship exists surround the level of vulnerability, trust, reliance and discretion that exists between the planner and the client.

FP Canada Code of Ethics

Principles

Principle 1: **Duty of Loyalty to the Client**

- Act honestly and place the **client's interest ahead of his/her own and all other interests**

Principle 2: **Integrity**

- Rigorous adherence to the moral rules and duties imposed by **honesty and justice** – to observe both the letter and the spirit of the code

Principle 3: **Objectivity**

- Requires intellectual honesty, **impartiality**, and the exercise of sound judgement regardless of the services delivered or in whatever capacity they function

Principle 4: **Competence**

- Should develop and **maintain the abilities, skills, and knowledge** necessary to competently provide advice and services to clients
- Attaining and maintaining a high level of knowledge and skill, and applying that knowledge effectively in providing advice and services to clients

Principle 5: **Fairness**

- Requires providing clients with what they should reasonably expect from a professional relationship
- Include honesty and **disclosure of all relevant facts, including conflicts of interest**

Principle 6: **Confidentiality**

- Requires that **client information be secured, protected, and maintained** in a manner that allows access only to those who are authorized
- Relationship of trust can only be built on the understanding the confidential info will be collected, used, and disclosed only as authorized

Principle 7: **Diligence**

- **Degree of care** in handling their clients' affairs
- Requires fulfilling professional commitments in a timely and thorough manner and taking due care in guiding, informing, planning, supervising, and delivering financial advice

Principle 8: **Professionalism**

- Refers to conduct that inspires confidence and respect from clients and the community, and embodies all other principles within the code

Rules of Conduct

FP Canada's Rules of Conduct are the standards of conduct that the Student must follow. Activities that break the Rules of Conduct are subject to disciplinary actions by FP Canada

- CFP should **not engage or associate with individuals engaged in dishonesty, fraud, deceit, or misrepresentation, or knowingly make a false or misleading statement to clients** or any other parties
 - **Guidance:** applies where a QAFP/CFP Candidate ought to know through **appropriate inquiries** that they are associating with individuals engaged in dishonest conduct. QAFP/CFP Candidate must guard against this! There is a **greater obligation on QAFP/CFP Candidate when they are dealing with unregulated products**, solutions, or strategies (e.g. tax shelters, exempt securities)
- QAFP/CFP Candidate shall not engage in conduct that reflects poorly on their integrity or fitness as a QAFP/CFP Candidate, the marks, or the profession
 - **Guidance:** QAFP/CFP Candidate must treat colleagues, clients, employees, and others with whom they have dealings: fairly, respectfully and in such a manner to garner trust. FP Canada is usually not concerned with the private activities of QAFP/CFP Candidate but conduct that is likely to impair client trust or reflect negatively on the profession may be concerning to them.
- QAFP/CFP Candidate shall **not impugn** the reputation of another QAFP/CFP Candidate, it should be raised to the FP Canada for review following the provisions of rule 4 above.
- QAFP/CFP Candidate who has knowledge that raises questions of illegal conduct related to advice or services by another Student, shall promptly inform the professional disciplinary body, unless prevented by law.
- QAFP/CFP Candidate who has knowledge that another QAFP/CFP Candidate has committed an **egregious violation**; QAFP/CFP Candidate shall promptly inform the FP Canada. Knowledge means no substantial doubt.
 - **Guidance:** Egregious conduct may include fraudulent activities, theft, forgery, perjury, deceit, or dishonesty; conduct that causes material harm to a client.

Discretionary Authority – Professional Obligations to the Client

- When QAFP/CFP Candidate is **holding the funds** or property of a client, they have the following responsibilities
 - QAFP/CFP Candidate who takes custody of all or part of a client's assets for investment purposes, shall do so with the **care of a fiduciary**
 - QAFP/CFP Candidate shall act only in accordance with the authority set forth in the governing legal instrument (e.g. special power of attorney, trust deed, letters testamentary)
 - QAFP/CFP Candidate shall identify and **keep complete records** of all funds or other property

- QAFP/CFP Candidate must deliver to the client or third party any funds or property that the client or third party is entitled to receive, and render a full accounting regarding such funds or other property
 - QAFP/CFP Candidate **should not commingle client funds** with personal funds or funds and other property of QAFP/CFP Candidate firm. Commingling one or more clients' funds or other property together is permitted, subject to compliance with applicable legal requirements and provided accurate records are maintained
 - QAFP/CFP Candidate shall not use, transfer, withdraw or otherwise employ funds or property for his/her fees or for any other purpose not provided for in the engagement, except when authorized in writing by the client
- When the services include financial planning or material elements of the financial planning process, a **QAFP/CFP Candidate shall disclose the following information in writing to the client:**
 - An accurate and understandable description of the **comp arrangements** being offered – must include the cost to the client and the form and source of the compensation to QAFP/CFP Candidate
 - General summary of **potential conflicts of interest** – between the client and QAFP/CFP Candidate, QAFP/CFP Candidates employer or any affiliates or third parties
 - Information about QAFP/CFP Candidate or QAFP/CFP Candidates employer that could reasonably be expected to materially affect the client's decision to engage QAFP/CFP Candidate
 - Any info the client might want to know including information about the professional's areas of expertise
 - Contact info of QAFP/CFP Candidate
 - The **products you are authorized/licensed to sell**
 - **Guidance:** a potential conflict exists where the duties and loyalties a QAFP/CFP Candidate owes to their clients may be impacted (even perceived) by the duties owed by QAFP/CFP Candidate to a third party or a QAFP/CFP Candidates own interest. **QAFP/CFP Candidates should advise that they might not be able to continue in a professional relationship if a conflict of interest materializes in the future.** Providing this info early on increases the level of trust and respect between the client and QAFP/CFP Candidate.
- When services include financial planning or material elements of the financial planning process a QAFP/CFP Candidate should not provide services where there is a **conflict of interest** unless with full written disclosure of the existing conflict of interest and including written consent from the client. If the conflict arises in the course of an ongoing relationship should be **communicated immediately to the client.** QAFP/CFP Candidate should cease providing services until client makes an informed decision.
 - **Guidance:** For example, there may be a conflict of interest where a QAFP/CFP Candidate has a personal or financial interest in a client's business. QAFP/CFP Candidate should avoid situations that give rise to conflict of interests, such as personal loans to a client or investor or creditor in a clients' business. Watch for

conflicts that arrive between clients in a joint engagement involving spouses, members of the same family and business partners.

- On an ongoing basis, QAFP/CFP Candidate **should make timely disclosure to the client of any material changes** to the above information. Timely means as soon as possible
- QAFP/CFP Candidate **must not personally lend money to a client or personally borrow money from a client**. This does not apply to a client that is a member of the Student's immediate family.

Client Relations

- QAFP/CFP Candidate should refrain from intervening in client matters **outside the scope of the engagement**. Should scope change and go beyond the original arrangement, there should be a meeting to update the engagement to ensuring continued mutual understanding and shared expectations.
- QAFP/CFP Candidate shall take reasonable steps to inform the client of changes during the relationship and should be in writing:
 - Conflicts of interest
 - QAFP/CFP Candidate business affiliation
 - Compensation structure affecting the professional services to be rendered
 - New or changed agency relationships
- QAFP/CFP Candidate shall fulfill their professional commitments in a **timely and thorough** manner

Withdrawal of Services

- When QAFP/CFP Candidate determines that they no longer wish to serve the client, they need to provide prompt notification to the client and shall make sure that the withdrawal will not prejudice the client
- When QAFP/CFP Candidate leaves their firm and that departure leads to the ending of a client relationship, the QAFP/CFP Candidate shall (1) directly notify the client or when that is not possible, (2) take the steps to ensure that their firm has notified the client.
- If the QAFP/CFP Candidate ends the engagement with a client, they should assist the client in ensuring a transition to a new financial planner.

Client Property

- QAFP/CFP Candidate shall promptly **return the clients original records** upon request by the client. As a matter of best practice, **QAFP/CFP Candidate should take a copy and return the original**.

Professional Oversight and Supervision of Others

- QAFP/CFP Candidate shall provide reasonable and prudent professional supervision to any **subordinate** or **third party** to whom QAFP/CFP Candidate assigns work. There individual work should be subject to review and oversight by QAFP/CFP Candidate. QAFP/CFP Candidate is ultimately responsible for the work performed. Where the work is transferred to a specialized expert, QAFP/CFP Candidate may rely on that individual's professional expertise.

Duties to Prospective Clients

- QAFP/CFP Candidate should not adopt any method of obtaining or retaining clients that lowers the standard of dignity of the profession, including:
 - Should not make a false or misleading communication about the size, scope, or areas of competence of QAFP/CFP Candidate or any org. associated with QAFP/CFP Candidate
 - Shall not make false or misleading communication to the public or create unverifiable expectations regarding matters relating to financial planning or competence of QAFP/CFP Candidate.
 - Shall not give the impression that they are representing the view of FP Canada unless authorized to do so.
- QAFP/CFP Candidate should provide clients with:
 - Description of the services they will provide
 - Accurate and understandable description of (1) any costs payable by the client, (2) how the client will pay for the services, (3) how the QAFP/CFP Candidate and their firm are compensated for providing the services and associated products
 - Information about the QAFP/CFP Candidate that could reasonably be expected to materially affect the client's decision to engage

Financial Planning Services

- QAFP/CFP Candidate shall only make recommendations that are both **prudent** and **appropriate for the client**. This should take into consideration goals, needs, priorities, risk tolerances and time horizons. This needs to be balanced against their values, attitudes, and beliefs. It **applies to both recommendations and strategies** and that the QAFP/CFP Candidate believes will not materially and negatively impact the client's best interests.
- QAFP/CFP Candidate should perform following all **laws and regulations**, policies of the government and FP Canada
- QAFP/CFP Candidate should only provide services or advice where they are **competent**. If not, they should be aware and recommend qualified individuals and or refer clients to such parties. Competence means recognizing limitations in one's own ability and taking steps to ensure the client's needs are appropriately serviced by others.

Duty of Confidentiality

- QAFP/CFP Candidate shall **not disclose or use personal client info** (1) **without written consent** or (2) **in response to proper legal, statutory, or regulatory process** under which QAFP/CFP Candidate is obliged to do so.
 - **Guidance:** QAFP/CFP Candidate should ensure proper internal safeguards are in place to hold confidential client info. For example, this could mean locking filing cabinets containing hard-copy documents; password protected soft copy storage and not accessible by third parties. Watch out for discussions that take place in coffee shops, or open spaces in the office. If a client brings a friend or family along to a meeting you need consent from the client and the person themselves. Same applies to staff of QAFP/CFP Candidate. QAFP/CFP Candidate remains responsible.
- QAFP/CFP Candidate shall **not disclose the name** to anyone unless legal reasons.
 - **Guidance:** Watch out for sign-in books that identify client names, electronic distribution lists, identifying clients on the telephone in public or open areas.

Relationship to FP Canada

- QAFP/CFP Candidate shall meet all FP Canada requirements for **continued education**

Guidance:

 - Providing full and accurate legal declarations when completed their Annual Renewal Form.
 - Advising FP Canada of any changes prior to legal declarations within 15 days of becoming aware of new info
 - Using the **marks** in compliance with the rules and regulations of FP Canada
 - Complying with all continuing education and professional development requirements set by FP Canada
 - Notifying FP Canada of any changes to the QAFP/CFP Candidate's employment and/or contact information
- QAFP/CFP Candidate shall comply with an order by the FP Canada Standards Council Disciplinary Hearing Panel
- QAFP/CFP Candidate should **promptly and completely respond to any communication from the FP Canada** and cooperate fully with a FP Canada investigation unless legally prevented from doing so. This is an ethical duty, as it gives confidence to the public that complaints or concerns are addressed by FP Canada.
- QAFP/CFP Candidate shall **cooperate fully with a FP Canada Standards Council investigation** of a complaint unless legally prevented from doing so.
- QAFP/CFP Candidate **should not make any false or misleading statement** to the FP Canada regardless of the purpose of the inquiry.

Professional Skills

Professional Responsibility

- **Conducts oneself in a trustworthy manner**
 - Maintain trust in all dealings with the client, colleagues, and others. At no time do you compromise that position of trust
- **Puts the client's interest first**
 - Placing the clients' needs first and setting competing demands aside
 - Advice will not be swayed by compensation, employer pressures to sell certain products, opportunities to attract new clients or sources of referral or any other external influences
- **Demonstrates ethical judgement**
 - Must not only decide what is technically optimal, but also the one that is ethically and morally right
 - Must contemplate the best course of action in situations where there is no clear objectively right path
 - You can demonstrate this by providing advice that is fair, reasonable, and objective – and only in the areas where you are competent
- **Honesty and Impartiality**
 - Strategies and recommendations are made based on sound analyses and knowledge of the client without regard to compensation, bias, interests of the client's family, other client advisors, CFP's employer, or any other interested parties
- **Recognizes limits of competence** and voluntarily seeks the counsel of and / or defers to other professionals where appropriate
- **Recognizes the public interest role of the profession and acts accordingly**
 - You are part of a profession which is committed to benefiting the lives of Canadians and that brings with it the responsibility to always consider the greater good
- **Complies with all applicable laws and regulations**
 - Must ensure that any advice provided complies with the rules set out in relevant federal or provincial legislation to help meet client goals and avoid any fees, taxes or penalties associated with non-compliance
- **Follows professional standards**
 - All applicable CFP standards (as outlined in this document)
- **Uses reasonable judgment** in areas not addressed by existing practice standards
- **Maintains awareness of changes in the economic, political, and regulatory environments**
- **Engages in continuous professional development to ensure knowledge and skills remains current**
 - Certification does not end with final examination
 - May take the form of conferences, seminars, self-study, or in-class courses; writing or teaching; or other appropriate educational activities
- **Conducts appropriate research when performing analyses and developing strategies**
 - References might include educational texts, professional publications, websites, government, and regulatory resources

- **Ability to act independently in the performance of professional activities**
 - A professional who is experienced should be capable of performing all necessary collection, analysis, and recommendations functions across all Financial Planning areas to meet clients' needs
- **Exercises responsibility for own and subordinates' ability to deliver professional services**
 - Where you learn of error or false/misleading statement, analysis, strategy, or suggestion made within a plan, you act promptly to remedy the situation
 - As a supervisor you provide appropriate reviews, feedback, and approvals to help ensure that the terms of the client engagements are upheld as set out in the Code
 - Risks of inadequate guidance include
 - Errors, omissions, losses, missed opportunities, compromised client information and other challenges creating the potential to materially impact client's financial well-being

Cognitive Skills

- **Applies mathematical methods or formulas as appropriate**
 - Must be capable of undertaking TVM calculations and calculate required returns in investment, net interest costs associated with borrowing options, taxation of different ownership structures or transactions and a client's insurance needs
- **Analyzes and integrates information from a variety of sources to arrive at solutions**
 - Need to know where to look for key information and be able to pull in all together to synthesize and arrive at appropriate recommendations
- **Uses critical thinking to identify and assess the strengths and weaknesses of potential courses of action**
- **Makes reasonable decisions when faced with incomplete or inconsistent information**
 - Making assumptions based on best available information or research and good professional judgment
- **Demonstrates the capacity to adapt thinking and behaviours**
 - Flexibility to change course considering new information
 - As a client's financial and personal circumstances change (new job, windfalls, marriage, etc.) you must be able to adapt
 - Same applies to economic, political, or regulatory impacts
- **Capacity to understand the thinking and behaviour of the client**
 - Must be capable of empathy and respond to a client's behaviours, attitudes, biases, and decision-making style
 - How does the qualitative information intersect with the quantitative data to ensure greater confidence that recommendations will be fitting for the client if adopted?

Communication

- **Practices active listening with clients and others**
 - Must be able to solicit information from clients to gather both quantitative and qualitative information
 - Gained in an interview process using open-ended questions to encourage discussion and demonstrate interest and attention

- Making eye contact, avoiding distractions, showing appreciation for information shared and setting aside opinions and the inclination to agree or disagree with what the client is saying
- **Ensure proper understanding of all points being made in communications**
 - Applies across all communication channels
 - To affirm understanding, you may restate and summarize key points, ask clarifying questions, and provide feedback and interpretation of messages communicated
- **Establishes good rapport**
 - Builds and maintains positive and productive working relationships
 - Demonstrates empathy, treats others with courtesy and respect and responds positively to input and feedback
- **Communicates in a manner that is understandable to clients**
 - Responsibility for effective communication rest primarily with you
 - Level of sophistication and detail of communication will be appropriate based on the knowledge, backgrounds, experiences, and expectations of those who receive them
- **Presents recommendations and strategies in a logical and persuasive manner**
 - Must resonate with clients
 - You do not assume that it is only the client's responsibility to digest the information presented, but takes steps to ensure that the client understands what has been presented and that the client understand why the following recommendations will be of benefit
- **Deals effectively with concerns, objections, and complaints**
 - You do this in a way that maintains positive and productive relationships
 - Determining the root cause of the issue
 - Must be able to set aside own ego and practice empathy to deal effectively with issues raised by a client and rectify the situation in a positive manner
- **Respects differences of opinion and the decisions of the client**
 - Even if you believe that your advice and recommendations will be best for the client, you must still be able to appreciate the clients may not always see things your way
 - Must set a course of action that is not only in the client's interest, but also that the client can live with

Fitness Standards

- FP Canada sets the certification standards to ensure that individuals meet the highest standards of competence and professionalism.
- The standards reflect how individuals should act for continued certification and define the character expectations of all current and prospective certificates
- FP Canada retains the right to decline certification where candidates:
 - Do not meet the application requirements
 - Do not meet fitness for certification requirements pursuant to the Fitness Standards

Bars to Certification

- Any changes to earlier declarations should be reported to the FP Canada within **15 days**.

- Following list results in a **presumptive bar** to new or continued certification:
 - Currently bankrupt or in proceedings
 - Business bankruptcy within the past 5 years
 - Revocation or suspension one year or longer of a professional license or financial services license (lawyer, accountant, etc.)
 - Criminal offense
 - Found to be in breach of a court order
 - Education breach from one of the FP Canada approved curriculum provider.

Key Client Considerations

- **First meeting** should address the following:
 - Explain **issues** and **concepts** related to the overall financial planning process that are appropriate to you
 - Discuss the scope of the client/planning engagement
 - Explain the **services they will provide** and the process of planning and documentation
 - Clarify your **responsibilities** as a planner – include how and by whom they are **compensated**
 - Any **conflicts of interest**
 - Agree on how decisions will be made
- **Client responsibilities:**
 - Provide the planner with all the relevant information
 - Agree on the scope of the engagement
 - How decisions will be made and implemented
 - Ask for an explanation of any recommendation that you do not understand
 - Agree to a recommended **product/service** only after you understand **how it works**, how it **benefits you**, the **risks involved and the fees**.
 - Let us know right away if your **financial situation or goals change** so we can make appropriate changes to your financial plan.
- **Client Interviews vs. Questionnaires**
 - Questionnaires ensure that most if not all the required information is collected. They also allow the client to think about their responses prior to completing the questionnaire
 - The drawbacks include lack of detail in the responses which can be collected during a personal interview, ability to collect the affective nature of decisions and see the client's reaction to questions
- **Importance of a Letter of Engagement**
 - Outlines the nature of the engagement
 - Roles and responsibilities of the CFP and the client
 - Any potential conflicts of interest
 - How CFP is compensated
- **Time Horizon**
 - First and probably most important question and of course they might have different time horizons for different goals.
- **Liquidity Needs**

- Emergency – **3 to 6 months of expenses** saved up in an emergency fund
- Fulfill a financial goal within the next two years
- To pay known pending expenses – income tax payments for self-employed, funds to cover probate and capital gains taxes upon death and equalization payments during divorce
- Take advantage of investment opportunities
- **Income vs. Growth**
 - Primary objective for clients is one or the other. You need some exposure to equities as an inflation hedge. Need to distinguish income that is **needed for day to day expenses** or **for reinvestment**
- **Goal Achievement**
 - Will I have enough is the most common question clients ask their advisors about retirement.
 - Client has the following 6 options when trying to deal with this question:
 1. Years to retirement
 2. Annual income required in retirement
 3. Amount of retirement savings already in place - **UNCONTROLLABLE**
 4. Savings rate each year
 5. Inflation rate differential – between now and retirement - **UNCONTROLLABLE**
 6. Expected return
- It is the goal of the advisor to make the client aware of the financial impact of decisions made today.

Client Situational Awareness

Money Laundering:

- Money laundering is the process where criminals take the proceeds obtained through illegitimate means and attempt to give the money the appearance of having been obtained legally
- There are 3 stages:
 - **Placement** – involves depositing the illegal funds in a financial institution
 - **Layering** – involves converting the proceeds of crime into another form which involves complex transactions and often involves many layers making the audit trail more difficult
 - **Integration** – placing the laundered funds back into the legitimate economy
- **Red flags** include:
 - Disconnecting her business phone number while still operating the business
 - Failure to change work number on website
 - Depending on the nature of the business, any significant increase in cash flows are earnings could indicate that something is amiss
 - Change from larger deposits to smaller ones under reporting thresholds (e.g. 10,000), spread across multiple business and personal accounts
 - Lack of concern regarding fees paid

- Lack of interest in attending meetings
- In these situations, it is important for the CFP to report their suspicions to FINTRAC (Financial Transactions and Reports Analysis Centre of Canada).
- All persons working in the financial industry have an obligation to report any activity that they suspect of being suspicious.

Financial Abuse:

- Financial abuse involves tricking someone to take advantage of their financial resources
- Usually occurs with older clients; sometimes it's a younger family member who is taking advantage of them
- Requests to add a family member as joint account holder would give them full access – and once they are added they cannot be removed with their permission
- It is important to maintain contact with the client to ensure they do not become isolated
- **Cognitive Decline**
 - the decline of one's abilities involving mental awareness including memory and thinking skills

Divorce or Separation:

- Representing a couple, individually now that they are divorced would constitute a conflict of interest – it is difficult to act in each other's best interest and maintaining confidentiality of information becomes difficult
- To continue the engagement, each spouse would need to have the conflict disclosed to them and you must cease providing services until both provide their written consent to continue the engagement.

Regulatory Environment

- **Banking**
 - Federal government responsibility under the *Bank Act*
- **Credit Unions and Caisses Populaires**
 - Provincially incorporated, and powers do not extend outside of province
- **Insurance Companies**
 - Federal government regulates life and health sector under *Insurance Companies Act*
- **Trust and Loan Companies**
 - Regulated by both levels of government under *Trust and Loan Companies Act*
- **Mutual Fund Dealers Association (MFDA)**
 - Self-Regulatory organization (SRO) for regulating all sales of mutual funds by its members in Canada.
- **Investment Industry Regulatory Organization of Canada (IIROC)**
 - SRO that oversees all dealer members and trading activities on equity and debt marketplaces in Canada
- **International Organization of Securities Commissions (IOSCO)**
 - International Association of securities regulators regulating majority of world markets

- Goals to develop and implement consistent standards of regulation, enhance investor protection and promote confidence, exchange info at global and regional levels
- **Financial Stability Board (FSB)**
 - Established April 2009 at G20 Leaders' Summit
 - Goals to assess vulnerabilities, promote info exchange, monitor and advise on market developments, advise and monitor best practices
- **Foreign Account Tax Compliance Act (FATCA)**
 - Enacted in 2010 by USA to reduce tax evasion
 - Goal to enhance reporting requirements to IRS for US persons with substantial US ownership
- **Canadian Securities Administrators (CSA)**
 - The Canadian Securities Administrators (CSA) is an umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets

Consumer Protection

Protection in case of insolvency of a financial institution:

- **Canadian Deposit Insurance Corporation (CDIC)**
 - Responsible for insuring against the loss of eligible deposits in the event of the failure/bankruptcy of a participating institution, up to a maximum of **\$100,000** Canadian dollars at a time
 - The following conditions must be met for deposits to be guaranteed by the CDIC:
 - It must be payable in Canada
 - Money must be deposited with a participating institution in a **bank account, term deposit, GIC, money order/draft, certified cheque**, or held in an account with the intent of being used to pay property taxes
 - Coverage now includes accounts that hold foreign currency (e.g. USD)
 - The \$100,000 coverage includes deposits held in single name, joint name, deposits held in an RSP, RIF, TFSA or deposits held in trust
 - Accounts not covered include mutual funds, principal protected notes, crypto currency, stocks, or bonds
- **Assuris**
 - Not-for-profit, funded by the life insurance industry and endorsed by government – it **protects life insurance policy holders** against **loss of benefits** due to the financial **failure of a member company**.
 - All life insurance companies are **required to be members**
 - In the event of failure, Assuris works with the liquidator to transfer policies to a solvent company
 - Limits: **\$2,000 per month, \$200,000 for death benefit** and **\$60,000 for Cash Value** – **85%** of the value will be paid beyond these amounts
- **Canadian Investor Protection Fund (CIPF)**

- In the event of insolvency of a member firm (such as an investment dealer/broker), the CIPF will step in to ensure that the property is returned to the client
- CIPF does not protect against market losses, bad investment decisions, unsuitable investments, or fraud
- Limits: **\$1MM in all non-registered accounts, \$1MM in all registered accounts (excluding RESPs), and \$1MM in RESP accounts**
- CIPF members are registered to distribute their products through IIROC. For mutual fund dealers, investors are protected under the MFDA. Coverage is also available up to **\$1MM** per type of account

Protection from unwanted communication:

One of the mandates for the CRTC is to oversee Canada's anti-span legislation, and National Do Not Call List (DNCL)

- **Canada Anti-Span Legislation (CASL)**
 - Three main requirements
 - Consent. You must have consent
 - Identification. You must clearly identify the name of the business or organization
 - An "opt-out" mechanism. Also referred to as "unsubscribe", there must be a clear way to opt out
- **Do Not Call List**
 - Exemptions include registered charities, political parties, those conducting surveys, and newspapers seeking new subscribers and anyone who was a customer of that organization during any point in the previous 18 months