

CANADIAN
FINANCIAL
PLANNING

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DEFINITIONS,
STANDARDS &
COMPETENCIES

ISBN 978-1-926690-11-7 (FP Canada)
ISBN 978-2-922174-33-5 (Institut québécois de planification financière)

Legal Deposit - Library and Archives Canada, 2020.
Legal Deposit - Bibliothèque et Archives nationales du Québec, 2020.
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Updated: 2020

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Introduction

Financial planners provide an important service to Canadians, helping them to understand and navigate what can sometimes be a complicated landscape as they plan for their financial futures.

FP Canada™, through the FP Canada Standards Council™, and the Institut québécois de planification financière (IQPF), a proud partner of FP Canada, have again joined forces to create a unified set of definitions, standards and competencies for individuals holding the Financial Planner, QUALIFIED ASSOCIATE FINANCIAL PLANNER™ and CERTIFIED FINANCIAL PLANNER® designations.

There are approximately 23,000 financial planners in Canada who, through QAFP™ certification, CFP® certification and the F.Pl. designation, must adhere to FP Canada's and IQPF's standards.

In 2015, FP Canada (then known as Financial Planning Standards Council®) and IQPF jointly published the first unified source of definitions and standards for professional financial planning in Canada. FP Canada and IQPF have again collaborated to publish this updated text.

Definitions

Considerable industry consultation went into the formation of a single set of definitions that solidify what constitutes “financial planning”, what constitutes a “financial planner” and what constitutes a “financial plan”.

Financial planning varies in scope and complexity ranging from planning advice that is straightforward and narrow, requiring limited integration across financial planning areas to those engagements that are complex and involved, requiring extensive integration across financial planning areas. In all cases, however, it is the financial planner's ability to competently and professionally gain a full picture of the individual's goals, needs and priorities, and the interdependencies among them that provides the greatest value to clients.

By definition, a financial planner is an individual capable of providing financial planning advice at the level of complexity required by the profession. As a professional, a financial planner holds themselves accountable to professional oversight.

A financial plan is a written report that assesses an individual's current financial situation and includes the relevant personal and financial assumptions, information analysis, evaluation of financial strategies and recommendations to assist in achieving an individual's personal goals, needs and priorities. While financial planning may or may not result in a full-blown financial plan, it's clear that all Canadians can benefit from the professional advice of a financial planner¹.

Standards

In addition to providing a single set of financial planning definitions, FP Canada and IQPF have produced unified standards of ethics, practice and competence for all financial planners. These standards set out the principles of ethical behaviour that financial planners are expected to follow and the process of financial planning that financial planners are expected to adhere to.

The Competency Framework serves as the guiding construct for the detailed knowledge, skills and abilities expected of financial planners as outlined in the respective competency profiles provided by FP Canada and IQPF. It illustrates the central nature of the Fundamental Financial Planning Practices. These are the competencies that apply to all financial planning areas and relate to the integration and interrelationships among them. The Framework also highlights the requirement for professional judgment, reasoning, interpersonal and communication skills in the fulfillment of all elements of competency. These professional skills represent fundamental abilities that characterize a true financial planner.

¹ 2013 Financial Planning Standards Council and Financial Planning Foundation: *The Value of Financial Planning*; <https://fpcanada.ca/docs/default-source/communications/value-study.pdf>

This text is a resource that supports consistency in the financial planning profession. This resource serves several distinct audiences – financial planners, candidates for certification, educators, employers, governments, regulatory bodies and the Canadian public – by providing clarity around what to expect of a financial planner and by providing an overview of the rigorous standards and expectations of those who meet the definition of a financial planner.

We would like to extend our sincere thank you to the Standards Panel (an independent panel of the FP Canada Standards Council, composed of CFP professionals, Financial Planners from the province of Québec and a public member) and the Canadian Financial Planning Definitions, Standards and Competencies Working Group who gave their time and expertise in the updating of these unified Canadian benchmarks in financial planning.



Cary List,
FCPA, FCA, CFP®
FP Canada Fellow
President & CEO
FP Canada



Jocelyne Houle-LeSarge,
FCPA, FCGA, IQPF Fellow,
FP Canada Fellow
President & CEO, Secretary,
Institut québécois de
planification financière

For more information on FP Canada or IQPF, visit www.fpcanada.ca or www.iqpf.org.

Definitions

Financial Planning

Financial planning is a disciplined, multi-step process of assessing a client's current financial and personal circumstances against their future desired state and developing strategies that help the client meet their personal goals, needs and priorities in a way that aims to optimize the allocation of their resources. Financial planning considers the interrelationships among relevant financial planning areas in formulating appropriate strategies.

Financial planning areas include financial management, investment planning, insurance and risk management, retirement planning, tax planning, estate planning and legal aspects.

Financial planning is an ongoing process involving regular monitoring of a client's progress toward meeting their personal goals, needs and priorities, a re-evaluation of financial strategies in place and recommended revisions, where necessary.

Financial Planner

A financial planner² is an individual who possesses the requisite knowledge, skills, abilities and professional judgment to capably provide objective financial planning advice at the level of complexity required by the profession. They must agree to be accountable to a professional oversight organization's practice standards and code of ethics that includes an obligation to put their clients' interests before their own.

² In Quebec, any individual claiming to be a financial planner (or FPL) must have an IQPF diploma and the appropriate certificate issued by the Autorité des marchés financiers or be authorized to bear the title by a professional order who has an agreement with the Autorité des marchés financiers.

Financial Plan

A financial plan is a written report that addresses an individual's personal goals, needs and priorities. It takes into account relevant financial planning areas and the interrelationships among them. The financial planning areas include financial management, investment planning, insurance and risk management, retirement planning, tax planning, estate planning and legal aspects.

Each section of the financial plan covers the individual's current financial situation, the analysis performed to identify issues and opportunities, the evaluation of relevant financial strategies and recommendations to help meet the individual's personal goals, needs and priorities.

A plan includes the personal information and financial assumptions on which it is based. It also includes a disclaimer noting its reliance on information provided by the individual and assumptions made. A plan provides a list of action steps, including what needs to be done, by whom and when.

Code of Ethics and Financial Planning Practice Standards

FP Canada and IQPF have agreed to a common set of principles and practice standards to which individuals holding the F.Pl. designation, QAFP designation and CFP designation must abide. They define the ethical and performance standards which clients should expect from a professional relationship.

The Code of Ethics outlines the principles of ethical conduct that form the foundation of any profession and is the moral mandate that all stakeholders can use to assess the conduct of professionals.

The Financial Planning Practice Standards provide the process of financial planning that must be followed in any client engagement where financial planning services are offered.

Throughout the Code of Ethics and Financial Planning Practice Standards, whenever “financial planner” is referred to, it should be taken to read F.Pl., QAFP professional or CFP professional.

Code of Ethics

Preface

The Code of Ethics (the Code) represents the moral mandate that governs the conduct of financial planners. It sets out eight ethical principles that govern their conduct in all professional activities, and reflects the standards of ethical conduct that such professionals must demand of themselves and their peers. Upholding these ethical standards provides the public with the necessary assurance concerning the quality of the professional services offered by financial planners in Canada.

Application of the Code

Each principle of the Code presents the expected behaviours of all financial planners. The Code is designed to guide financial planners in their practice but does not undertake to define standards of professional conduct of financial planners for purposes of civil liability.

The Code represents the commitment of the financial planner to the public, the industry and the profession.

For the Public

A strong Code is first and foremost about serving the public. It is the financial planner's pledge to their clients. A client should view the Code as setting their expectations for how they will be treated by a financial planner. The Code should assure clients that they are working with a professional who is committed to ethically, competently and diligently helping them achieve their life goals.

For the Financial Services Industry

The F.Pl., QAFP designation and CFP designation allow the financial services industry to easily identify a professional with a documented mastery of financial planning skills and a commitment to ethical practice.

For Financial Planners

The Code provides the cornerstone by which financial planners practice their profession. All financial planners should adhere to the Code and expect adherence from their fellow financial planners as well. The protection of the public, as well as the integrity and future of the financial planning profession, rest on the universal adherence to these principles.

The Code of Ethics (the Code) represents the moral mandate that governs the conduct of financial planners.

The Principles of the Code

PRINCIPLE 1: DUTY OF LOYALTY TO THE CLIENT	A financial planner shall always place the client's interests first ³ .
PRINCIPLE 2: INTEGRITY	A financial planner shall always act with integrity.
PRINCIPLE 3: OBJECTIVITY	A financial planner shall be objective when providing advice and/or services to clients.
PRINCIPLE 4: COMPETENCE	A financial planner shall develop and maintain the abilities, skills and knowledge necessary to competently provide advice and/or services to clients.
PRINCIPLE 5: FAIRNESS	A financial planner shall be fair and open in all professional relationships.
PRINCIPLE 6: CONFIDENTIALITY	A financial planner shall maintain confidentiality of all client information.
PRINCIPLE 7: DILIGENCE	A financial planner shall act diligently when providing advice and/or services to clients.
PRINCIPLE 8: PROFESSIONALISM	A financial planner shall act in a manner that reflects positively upon the profession.

³ As set out in the FP Canada Code of Ethics, financial planners certified by FP Canada are required to: place their client's interests first; disclose conflicts of interest and mitigate them in their client's favour; and act with the care, skill and diligence of a prudent professional. In Québec, financial planners are required to uphold the Code of ethics of the Chambre de la sécurité financière.

Financial Planning Practice Standards

Preface

The Financial Planning Practice Standards (the Practice Standards) provide guidance to financial planners when engaged in financial planning activities with clients.

Outlining these Practice Standards:

- establishes the level of practice expected of a financial planner engaged in the delivery of financial planning services to a client;
- establishes norms of professional practice to promote a consistent delivery of financial planning services by financial planners;
- clarifies the respective roles and responsibilities of financial planners and their clients in financial planning engagements, protecting both the financial planner and the client from potential misunderstandings; and
- serves the national public interest by defining a level of service that protects the interests of clients.

Application of the Practice Standards

The Practice Standards outline the process to be followed in any client engagement where financial planning services are being offered, not just when delivering a comprehensive financial plan.

In the unlikely event that a Practice Standard is in conflict with a legal obligation, the financial planner is expected to adhere to the legal obligation. Where a Practice Standard is in conflict with an employer's expectation, the financial planner remains bound by the Practice Standards and may choose to seek guidance from their employer regarding irreconcilable conflicts of interest.

The Practice Standards

Explain the Role of the Financial Planner and Value of the Financial Planning Process	Ensure the client understands the role of a financial planner and the value of the process of financial planning in identifying and meeting the client's personal goals, needs and priorities.
Define the Terms of the Engagement	Work with the client to define and agree on the scope of the financial planning engagement, whether an initial or review engagement.
Identify the Client's Goals, Needs and Priorities	Discuss the client's personal goals, needs and priorities before identifying possible strategies or making recommendations.
Gather the Client's Information	Gather sufficient quantitative and qualitative information relative to the engagement before identifying possible strategies or making and/or implementing any recommendations.
Assess the Client's Current Situation	Identify and evaluate the strengths and weaknesses in the client's financial situation, perform required calculations, develop needed projections, and analyze and integrate the resulting information relative to the client's personal goals, needs and priorities.
Identify and Evaluate Appropriate Financial Planning Strategies	Identify and assess the possible financial planning strategies to achieve the client's personal goals, needs and priorities.

Develop the Financial Planning Recommendations	Develop and prioritize recommendations to help meet the client's personal goals, needs and priorities and aim to optimize the client's financial position.
Compile and Present the Financial Planning Recommendations and Supporting Rationale	Present the financial planning recommendations and supporting rationale in a way that allows the client to make an informed decision.
Discuss Implementation Actions, Responsibilities and Time Frames	Gain the client's agreement regarding implementation actions, responsibilities and time frames. Stress the importance of a review and ongoing monitoring of the client's situation relative to their personal goals, needs and priorities periodically and as needed based on material changes in personal or external circumstances.
Implement the Financial Planning Recommendations	Complete the implementation actions for which the financial planner has assumed responsibility.

The Practice Standards outline the process to be followed in any client engagement where financial planning services are being offered, not just when delivering a comprehensive financial plan.

Competency Framework

Preface

The Competency Framework for financial planners (the Framework) is the foundation for the FP Canada Standards Council Competency Profile and the IQPF Competency Profile for individuals holding the F.Pl. designation.

It provides the structure and serves as the guiding construct for the detailed knowledge, skills and abilities expected of financial planners. It illustrates the interrelationships among the fundamental financial planning practices, financial planning areas, professional skills and technical knowledge that are inherent in the profession of financial planning.



The competency profile for financial planners in Québec is in the “Professional Standards” document available in the “Tools and forms” section of the IQPF’s website (www.iqpf.org).

To view the competency profile and associated graphic overview for financial planners outside of Québec, please visit the resource section of FP Canada’s website (www.fpcanada.ca).

The Competency Framework for financial planners (the Framework) is the foundation for the FP Canada Standards Council Competency Profile and the IQPF Competency Profile for individuals holding the F.Pl. designation.

Financial Planning Functions

Underlying the professional practice of financial planning are three basic functions defined below:

1. Collection – Gathers the client's information
2. Analysis – Assesses the client's situation and identifies and evaluates appropriate strategies
3. Recommendation – Develops recommendations to help optimize the client's situation

Although there is often a logical sequence to these functions, (first collect data, then analyze the data and evaluate strategies, and finally make appropriate recommendations), in practice the financial planner will move back and forth between functions during any client engagement. For example, certain analysis may point to the need for more data collection.

Financial Planning Areas

Financial planning is a process that combines the competencies of the following areas – Financial Management, Investment Planning, Insurance and Risk Management, Tax Planning, Retirement Planning, Estate Planning and Legal Aspects.

The financial planning areas are defined below.

Financial Management

Financial management focuses on the client's current and future financial position.

Investment Planning

Investment planning focuses on the client's assets and how to best manage them.

Insurance and Risk Management

Insurance and risk management focuses on strategies designed to manage the client's exposure to an unexpected financial loss due to death, disability, health issues, property damage and other risks.

Tax Planning

Tax planning focuses on the client's current and future income tax obligations and the use of available strategies to minimize or defer taxation.

Retirement Planning

Retirement planning focuses on the client's financial well-being after regular employment has stopped.

Estate Planning

Estate planning focuses on the distribution of assets on death.

Legal Aspects

Legal aspects impact the client's financial planning. Financial planners must be aware of the client's legal situation to help determine the level of exposure and evaluate protective measures.

Fundamental Financial Planning Practices⁴

Financial planners must apply fundamental financial planning practices to all areas of financial planning. These elements relate to the integration and interrelationships among the areas and are key to any and all financial planning engagements.

For a financial planner to provide meaningful advice and planning, they must understand all of the client's personal goals, needs, priorities, interdependencies, overall constraints and opportunities in order to develop appropriate financial planning strategies and recommendations.

Throughout the planning process, it is important to consider the integration of financial planning areas since decisions made in one area will impact, and be impacted by, decisions made in others. For example, to the extent that a client wishes to provide for their child's education over the next four years, retire in 10 years and leave a sizeable estate, the budget will need to account for these various goals.

Likewise, investment planning decisions will impact the client's ability to meet goals related to major purchases, as well as retirement and estate planning goals. There is also a significant relationship between investment planning and tax planning since different asset classes and investment vehicles have different levels of tax efficiency.

As well, clients may not be aware of how decisions over their lifetime will affect the value of their estate and its distribution. The financial planner can educate clients about the impact of retirement planning and risk management decisions on their estate plan and recommend strategies, including maximizing RRSP savings, setting up an individual pension plan or purchasing additional insurance to help create the level of estate the client wishes.

⁴ IQPF considers the integration and interrelationships among financial planning areas by raising them in the context of a number of defined client situations, each of which requires the consideration of multiple financial planning areas.

Professional Skills

Professional skills refer to the non-technical competencies expected of financial planners. They describe how financial planners are expected to behave and interact with clients and others, and are inherent to being a competent financial planner. These transferable competencies apply to most situations, and in fact most professions. Financial planners are expected to be sincere and demonstrate genuine interest in their clients. They should make reasoned decisions supported by evidence after critically evaluating all identified valuable and relevant information. They should actively listen, provide assurance and support, and communicate in a clear, logical and personal manner. They are expected to possess self-awareness and recognize their level of competence, and seek the input, support and help of other professionals when appropriate.

Technical Knowledge

Technical knowledge across financial planning areas is the foundation for competent performance. As such, without the appropriate technical knowledge, the competencies cannot be demonstrated. This knowledge comes from a variety of sources, including formal education, continuing education, professional journals and the daily business press.

About FP Canada and IQPF

FP Canada (formerly known as Financial Planning Standards Council) is a national professional body working in the public interest. FP Canada is dedicated to championing better financial wellness for all Canadians by leading the advancement of professional financial planning in Canada. A division of FP Canada, the FP Canada Standards Council establishes and enforces financial planning standards, sets the certification requirements for professional financial planners and develops and delivers certification examinations. The Standards Council ensures FP Canada certificants—CERTIFIED FINANCIAL PLANNER professionals and QUALIFIED ASSOCIATE FINANCIAL PLANNER professionals—meet appropriate standards of competence and professionalism through rigorous requirements of education, examination, experience and ethics.

For more than 30 years, **The Institut québécois de planification financière** (IQPF) has been protecting the financial well-being of Québec consumers by overseeing the training and qualification of financial planners according to the highest standards of quality. In Québec, only professionals holding a diploma issued by the Institut québécois de planification financière are authorized to use the title of Financial Planner (F.Pl.). The IQPF is the only organization in the province entirely dedicated to and reserved for financial planners, setting their professional standards of practice and raising public awareness about their important role.

For more information on FP Canada and IQPF, visit www.fpcanada.ca and www.iqpf.org.

FP Canada

902 - 375 University Avenue,
Toronto, Ontario M5G 2J5
416.593.8587
Toll Free: 1.800.305.9886

IQPF

3 Place du Commerce, suite 501,
Île-des-Sœurs,
Verdun (Québec) H3E 1H7
514.767.4040
Toll Free: 1.800.640.4050



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