


Guide to CFP[®] Certification

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Guide to CFP® Certification

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Contents

	Page
The CFP marks	1
Overview of CFP certification	1
Qualifying for initial CFP certification	2
Education and examination	2
Experience	3
Ethics	3
Retaining CFP certification	4
Education Requirement	5
Bachelor or Masters Degree requirement	5
CFP Certification Program	5
Prerequisites for entry	6
Approved Education Pathways	6
FPA approved degrees	6
Transcript review (non approved degrees)	7
Exemptions from CFP Certification Program	7
Examination Requirement	8
CFP Certification Assessment	8
Prerequisites for entry	9
Experience Requirement	11
Guidelines for experience	11
Record of Experience	12
Recency of Experience	12
Verification of experience	12
Ethics Requirement	13
Continuing Professional Development	13
Authorisation to Use the CFP marks	13
CFP certification application	13
Retention of CFP Certification	14
Certificate of Practice requirements	14
Renewal application	14
Leave of Absence	14
Resignation/relinquishment	15
International Reciprocity	15
Appendix A: Financial Planning Knowledge Topic Categories	16
Appendix B: FPA Six-Step Financial Planning Process	21

The CFP® marks

The CFP mark is a certification mark which is represented by CFP®, CERTIFIED FINANCIAL PLANNER™ and . It is only awarded to individuals who have met rigorous competency, ethics and professional practice standards. To retain their right to use the CFP marks, CFP professionals must satisfy ongoing renewal requirements including Continuing Professional Development.

The CFP marks were first registered in the United States in 1986, where there are currently over 56,000 CFP practitioners.

Outside the United States, the CFP marks are owned by the Financial Planning Standards Board Ltd (FPSB). FPSB is a non-profit association that develops consistent standards for financial planning associations so that they may benefit and protect the global community by establishing, upholding and promoting worldwide professional standards in personal financial planning.

To administer the CFP certification program, FPSB enters into licensing and affiliation agreements with non-profit organisations that become FPSB Affiliates. By meeting and maintaining FPSB's affiliation requirements and standards, FPSB Affiliates are authorised to administer the CFP certification program in a country, or geographical or economic region, on behalf of FPSB. There are now twenty-two Affiliates on five continents authorised to administer the CFP marks and one Associate who is preparing for Affiliate status. There are 55,000 CFP professionals outside the United States and over 5,500 in Australia.

In 1990, FPA was the first international FPSB Affiliate licensed to award CFP status.

Overview of CFP certification

The CFP and CERTIFIED FINANCIAL PLANNER certification marks are the most recognised financial planning marks in the world. Unlike an educational designation offered by a TAFE College or university, CFP certification is based on independently established standards designed to benefit the public. Most Australians are now responsible for their own financial future and are looking to professional advisors for assistance. The public is often confused about how to select a professional financial planner and is looking for an advisor who has demonstrated a commitment to high standards of competency and ethical behaviour that exceed the minimum stipulated by legislation.

The CFP certification process assures the public that those who have been authorised to use the CFP certification marks by the FPA have met rigorous professional standards and have agreed to adhere to the principles of integrity, objectivity, competence, fairness, diligence, professionalism, confidentiality and compliance.

Qualifying for initial CFP® certification

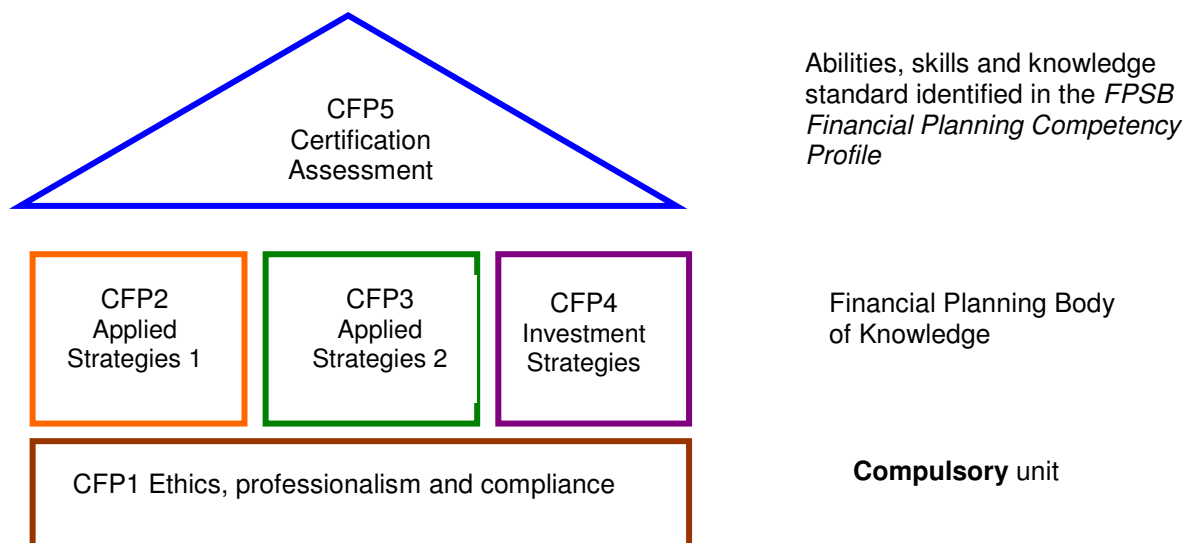
To become certified, candidates are required to meet the following four initial certification requirements (known as the four "Es"):

- Education
- Examination
- Experience
- Ethics

These four components are briefly described on the following pages; subsequent sections of this guide provide detailed information about each component. While the CFP certification requirements may be changed from time to time, candidates are expected to meet the requirements that are in place at the time application for CFP certification is made.

Education and examination

To meet the education and examination requirements for CFP certification candidates are required to successfully complete the **CFP Certification Program** which consist of an advanced education program (CFP1 – CFP4) and a final assessment unit (CFP5). The education units align to the FPSB Body of Knowledge which identifies the knowledge that a financial planning professional must be able to draw on to deliver planning advice to clients or when interacting with colleagues or others in a professional capacity.



CFP1 – CFP4

CFP1 forms the foundation of all professional practice – ethics, professionalism and compliance and as such, is a compulsory unit (regardless of advanced standing arrangements).

CFP2 –CFP4 inclusive examine the development of strategies for clients beyond the minimum knowledge and skills stipulated by RG146. The content for these three units is aligned to the FPSB Body of Knowledge. Exemption from completing these units may be granted for equivalent approved post-graduate studies in financial planning or finance-related discipline. Allied professionals such as CPA/CA who have completed specialist financial planning studies may also be eligible for exemptions from these technical units.

Further details about the education requirement are on pages 5 -7.

CFP5 (Certification Assessment)

In 2007, the FPSB published the *FPSB Financial Planner Competency Profile*, a comprehensive analysis that identified the **abilities, skills and knowledge** required to competently perform the tasks of a professional financial planner. Following the completion of the education requirement, candidates complete the examination unit (CFP5) which assesses individuals against the competency profile. The unit consists of three assessment tasks:

- Financial Plan Case-study including a Statement of Advice
- Examination
 - Three hour open book examination
- Verification of Communication Skills
 - Assessment on-the-job of the candidate's communication skills by their supervisor

Further details about the CFP5 (Certification Assessment) unit are on pages 8 -9.

Experience

CFP® certification indicates to the public that candidates have practical experience in providing comprehensive face-to-face financial planning advice to the public.

Candidates will require a minimum of **three years** experience in financial planning advice within the last five years to be eligible to apply for CFP certification.

Further information regarding experience is provided on pages 11 -12.

Ethics

Once a candidate has successfully completed the education, examination and experience components of the CFP certification process, an application for certification as a CERTIFIED FINANCIAL PLANNER professional can be submitted. CFP certification requires individuals to:

- abide by the FPA Code of Ethics, Rules of Professional Conduct and Practice Standards;

- undertake a quantity of quality ongoing Continuing Professional Development (CPD); and
- agree to the conditions of use of the CFP marks.

Candidates are not authorised to use the CFP® marks until an application has been lodged and approved by the Financial Planning Association. Refer to page 13.

Retaining CFP certification

CFP certification is limited to a fixed period of time. All CFP practitioners must periodically comply with certification renewal requirements to continue to be authorised to use the CFP marks. Currently the renewal process corresponds with membership subscriptions and consists of:

- Application for a Certificate of Practice (valid 1 July to 30 June), an annual application; and
- Renewal application, every three years

Further information on retention of CFP certification is on page 14.

Education Requirement

As the first step to CFP® certification, candidates must complete the CFP Certification program which covers the knowledge a financial planning professional must be able to draw on to deliver financial planning to clients, or when interacting with colleagues or others in a professional capacity.

FPSB categorises the Financial Planning Body of Knowledge into 11 areas:

- I. Taxation
- II. Insurance
- III. Investment
- IV. Retirement, Savings and Income Programs
- V. Law
- VI. Financial Analysis
- VII. Debt
- VIII. Economic and Regulatory Environment
- IX. Government Benefits Plans
- X. Behavioural Finance
- XI. Ethics and Standards

These areas are further developed into Knowledge Topic Categories. The Knowledge Topic Categories for Australia are published in Appendix A.

It is expected that some of the topics are studied during preliminary/entry training in financial planning. The CFP Certification Program expands on the pre-requisite knowledge and introduces advanced financial planning concepts.

Bachelor or Masters Degree requirement

In addition to completing the CFP Certification Program, a Bachelor's degree, master's degree or higher is required to attain CFP certification.

CFP Certification Program

The education program consists of:

CFP1: Ethics, professionalism and compliance

Topics include:

- Ethics
- Professionalism
- Legislation and Regulation
- Compliance

CFP2: Applied Strategies 1

Topics include:

- Introduction to strategy development
- Applied structures
- Salary packaging strategies
- Debt Management strategies

- Risk management strategies

CFP3: Applied Strategies 2

Topics include:

- Leaving the workforce: issues and strategies
- Superannuation strategies
- Pension and benefit strategies
- Estate planning strategies
- Strategies for expatriates

CFP4: Investment Strategies

Topics include:

- Asset allocation
- Investment types and alternatives
- Portfolio construction
- Managing investment risk
- Applied decision-making

Further details on the content of each unit are published in the FPA Student Handbook.

Pre-requisites for entry

1. Current individual membership of the FPA
2. Twelve months appropriate relevant experience including Authorisation with an AFS Licensee. Candidates who do not hold Authorisation with an AFS Licensee must submit their Record of Experience for verification by the FPA before enrolment will be approved
3. Approved education pathway

Approved Education Pathways

The education pre-requisites for entry to the CFP® Certification Program are **one** of:

1. FPA approved bachelor's degree, master's degree or higher in financial planning;
2. Bachelor's degree, master's degree or higher in a finance-related discipline that has been assessed by the FPA for entry under Transcript Review;
3. Advanced Diploma of Financial Services (Financial Planning) or FPA Diploma of Financial Planning. Note that a bachelor's degree, masters degree or higher is required before CFP certification will be approved;
4. CA, CPA or PNA designation plus Diploma of Financial Services (Financial Planning).

FPA approved degrees

FPA approved under-graduate (Bachelor) and Masters degrees are published in the FPA Approved Course Register on the FPA web-site.

Transcript Review (non approved degrees)

A Transcript Review process is available for prospective candidates who wish to enrol in the CFP® Certification Program and who have completed a degree that has not been approved by the FPA. Details are published on the FPA web-site. Any application under the Transcript Review path must be approved before applying to enrol in the CFP Certification Program.

Exemptions from CFP Certification Program

Exemptions from completing the technical units of the CFP Certification Program (CFP2 – CFP4 inclusive) may be granted in the following circumstances:

CPA/CA designation with Financial Planning specialisation

Candidates who hold CPA or CA designation and have completed their professional association's financial planning specialisation education requirements may enter the CFP Certification Program and will receive exemptions from CFP2 – CFP4 inclusive. Candidates therefore are required to complete CFP1 and the final Certification Assessment unit CFP5.

Approved Post-graduate qualification

Candidates who have completed a post-graduate qualification in financial planning that has been approved by the FPA are exempted from completing CFP2 –CFP4 inclusive. Approved qualifications are listed in the FPA Approved Course Register on the FPA web-site.

Other post graduate qualifications can be assessed by the FPA as to their suitability on a case-by-case basis under the transcript review path (refer www.fpa.asn.au or call a Member Services Officer on 1800 337 301 for further information). Any application under the transcript review path must be approved before applying to enrol in the CFP certification program.

Exemptions are not granted on the basis of experience and exemptions will not be considered for studies completed more than ten years prior to the application.

Examination Requirement

CFP® Certification Assessment

THE CFP Certification Assessment assesses candidates' ability to apply financial planning knowledge to real-life planning situations. By reaching the required standard, candidates demonstrate to the public that they have the appropriate abilities, skills and knowledge to competently perform the tasks of a professional financial planner.

The CFP Certification Assessment comprises the following components:

1. Financial Plan Case Study
2. Assessment on-the-job of the candidate's communication skills which is observed and verified by the candidate's supervisor
3. Three hour multiple-choice examination.

Financial plan case-study

Candidates are required to prepare a comprehensive financial plan for a fictitious client(s) based on case study information which will be provided to all candidates. The issues presented in the case study will be complex, and of a level that a CERTIFIED FINANCIAL PLANNER™ professional is expected to advise on.

Observation

The Financial Planning Standards Board has identified the professional communication skills that are necessary to deliver financial planning at an appropriate level of competence and professionalism. The assessment can take place during a meeting with a new or existing client. The candidate's supervisor must attend the meeting, observe the candidate's communication skills and complete the required documentation. It is likely that a minimum of two observations will be required; one observation with a new client and a second observation with a new or existing client.

Further details are included in the CFP Certification Assessment Handbook.

Multiple - Choice Examination

The examination must comply with the standards set by the Financial Planning Board of Standards. It is based on the level of skills and applied knowledge expected of a CFP practitioner as described by the FPPSB and contextualised to the Australian financial planning industry.

The open-book examination is conducted over one three-hour session and consists of up to one hundred (100) multiple choice questions. This format complies with the standard specified by the Financial Planning Standards Board and to ensure consistency and reliability, and to allow comparison of results. Each question will be worth one mark. Marks are awarded for each correct answer.

The examination uses a mix of short questions and small case studies leading to two-five multiple choice questions on a particular technical knowledge area (e.g. superannuation, estate planning).

The examination is designed to measure candidates critical thinking, analytical and evaluative skills. Candidates must be able to apply technical knowledge to a variety of complex financial planning scenarios.

The questions on the multiple-choice examination align to the FPSB Body of Knowledge and will cover the following technical knowledge areas:

- I. Taxation
- II. Insurance
- III. Investment
- IV. Retirement, Savings and Income Programs
- V. Law
- VI. Financial Analysis
- VII. Debt
- VIII. Economic and Regulatory Environment
- IX. Government Benefits Plans
- X. Behavioural Finance
- XI. Ethics and Standards

These areas are further developed into Knowledge Topic Categories. The Knowledge Topic Categories for Australia are published in Appendix A.

Candidates are required to pass all elements of the CFP® Certification Assessment in order to satisfy the examination requirement for CFP certification.

Please refer to the *CFP Certification Assessment Handbook* for a more detailed explanation of the assessment requirements and policies.

Pre-requisites for entry

1. Completion of the technical units of the CFP Certification Program; CFP1 –CFP4 (unless exemption has been granted for CFP2-CFP4).
2. Two years appropriate relevant experience (verified by the submission of their Record of Experience – refer to page 12).
3. Hold a Proper Authority / Authorised Representative / representative status to give financial planning advice with an Australian Financial Services Licensee / Licensed Securities Dealer.

“Appropriate relevant experience” is experience gained in the financial planning process. Appendix B contains more information on the FPA’s Six Step Financial Planning Process.

Note: Acceptance of appropriate experience by the FPA to enrol in CFP® Certification Assessment does not imply this experience will be accepted when application is made for CFP certification. An application for CFP certification will be assessed at the time application is made.

IMPORTANT NOTE:

“Appropriate relevant experience” is a prerequisite for enrolment in the CFP Certification Assessment unit. **However**, candidates will require **three years** experience to be eligible for CFP certification.

A full definition of experience is provided on page 11.

Experience Requirement

CFP® certification indicates to the public that an individual holds the technical knowledge, skills, attributes and attitudes to provide personal financial planning advice unsupervised. The practical application in the workplace of the technical knowledge gained through formal study is a key characteristic in the development of a skilled and professional financial planner. Completion of work experience under the supervision of a CFP practitioner will provide the candidate with the support, expertise and advice of an experienced member of the financial planning profession.

Guidelines for experience

FPA recognises the variety of situations and circumstances in which people participate in the financial planning process and has developed the work experience requirement to account for this. Accordingly, the nature of the experience is classified as appropriate relevant experience OR approved practitioner experience.

Appropriate relevant experience

Appropriate relevant experience is defined as experience gained in a position where the candidate actively uses knowledge; skill and ability to provide financial planning advice to clients in accordance with the FPA's Six Step Financial Planning Process (refer to Appendix B).

Experience must fit within the FPA's Six Step Financial Planning Process and the candidate must have direct responsibility for information that is provided to the financial planner or client and has reasonable accountability for the client.

Application of **any** of the Six Steps of the Financial Planning Process would satisfy a definition of appropriate relevant experience. Experience that is limited to administration tasks will not be accepted.

Approved practitioner experience

Approved practitioner experience is defined as experience gained in a position where the candidate actively uses knowledge, skill and ability to provide comprehensive face-to-face financial planning advice to clients in accordance with the FPA's Six Step Financial Planning Process.

The critical principle in the determination of 'approved practitioner experience' is confirmation that the candidate has established and maintains a financial planning relationship with the client.

Experience must fit within **all** of the FPA's Six Step Financial Planning Process.

Experience Requirements for CFP certification

From 1 January 2008, the experience requirement for CFP certification is assessed as follows:

1. Applicant must have a minimum of **three years full-time¹ or equivalent part-time² experience** comprised of:
 - (a) two years full-time or equivalent part-time appropriate relevant experience;

¹ **Full-time experience** is defined as a minimum of 38 hours per week.

² **Part-time experience** is defined as 2,000 hours and equates to one year of full-time experience

PLUS

(b) minimum of one year full-time or equivalent part-time approved practitioner experience.

2. Applicant must be authorised to give financial planning product advice for the period of the approved practitioner experience (that is, a minimum of twelve months before application).
3. The experience (approved relevant experience and approved practitioner experience) must be verified by the submission of a Record of Experience.
4. Applicants employed in a supervision role must have a direct reporting link with the adviser. Typically, a role of Financial Planning Manager would satisfy this requirement, but a Compliance Manager would not.

Record of Experience

A Record of Experience must be kept and continually updated by the candidate and reviewed by the supervisor and candidate during regular meetings. It is the responsibility of the candidate to ensure the Record of Experience is kept updated and to submit it with the application for CFP® certification status. The record must be signed off by the candidate and supervisor at each meeting.

The Record of Experience should provide an overview of the work activities the candidate undertakes and align to the FPA Six Step Financial Planning Process. Specific client details are not required.

It is suggested that the Record of Experience be incorporated as part of the organisation's formal performance records.

If a candidate changes employment during the period of experience, it is the candidate's responsibility to retain the Record of Experience so that it can continue to be used to document practical experience at the next place of employment.

Further information including templates is published on the FPA web-site.

Recency of experience

1. A candidate must have 12 months approved practitioner experience immediately preceding the date of application for admission.
2. Experience must be gained in the five (5) years immediately preceding the date of application for admission.

Verification of experience

All experience is to be directly supervised by a CFP professional who has held CFP certification for a minimum of two (2) years and who holds a current Certificate of Practice. The direct supervisor is required to sign the application for CFP certification.

Ethics Requirement

The final requirement of the initial CFP® certification process is the ethics requirement. Candidates must agree to:

- Adhere to the FPA Code of Ethics, Rules of Professional Conduct and Practice Standards;
- Undertake the quantity and quality of ongoing Continuing Professional Development (CPD) and
- Conditions of use of the CFP marks.

By signing the application for CFP certification, individuals agree to be bound by the Code of Ethics, Rules of Professional Conduct and Practice Standards.

Before being authorised to use the CFP marks, and every year, individuals must disclose any involvement in any criminal, civil, self-regulatory organisation or governmental agency enquiry, investigation or proceeding. Applicants must also agree to participate openly in any proceedings or investigations undertaken by the FPA.

Continuing Professional Development


A key hallmark of professionalism is the commitment to ongoing competence through Continuing Professional Development (CPD).

CFP practitioners must undertake a minimum of 120 CPD points per triennium. The CPD must include at least 5 CPD point per triennium on Professional Standards and Compliance, with 3 CPD points on Ethics being compulsory. CPD that is classified as 'personal development training' cannot exceed 15 CPD points per triennium.

The current triennium commenced on 1 July 2006 and ends on 30 June 2009.

The FPA Continuing professional Development policy is published on the FPA web-site.

Authorisation to use the CFP marks

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CFP certification application

When the education, examination, degree and experience requirements have been met, an application for CFP certification can be completed. The application must be submitted together with a non-refundable application fee of \$95.00 within six (6) months of fulfilling the experience requirement. The applicant will be invoiced for the pro-rate difference in membership fees.

The application is reviewed and approved before certification is issued.

Retention of CFP® certification

CFP certification is limited to a fixed period of time and all CFP practitioners must periodically comply with certification renewal requirements. Currently, the renewal process corresponds with the membership subscription period and consists of:

- application for Certificate of Practice (valid 1 July -30 June) – an annual application
- Renewal Application – every three years

Certificate of Practice requirements

- Engaged in the provision of face-to-face comprehensive financial planning advice;
- Hold authorisation with an Australian Financial Services Licensee (AFSL); and
- Reconfirmation of adherence to conditions of certification.

Renewal application

- Confirmation of contact and AFSL details;
- Completion of a statement disclosing any investigations or legal proceedings relating to professional or business conduct;
- Submission of business card and business stationery for CFP mark audit; and
- Confirmation of CPD points completed.

CFP practitioners who are employed in an executive or management role and who do not hold authorisation can continue to be CFP certified but are not eligible for a Certificate of Practice.

Leave of Absence

CFP practitioners who are not engaged in any of the FPA's Six Step Financial Planning Process or who leave the industry for a period of time may apply for Leave of Absence. This means that practitioners do not lose their CFP certification status. The key conditions of the Leave of Absence policy are:

- General membership of the FPA (at a reduced rate)
- Unable to represent themselves as a CFP practitioner
- Prohibited from using the CFP marks.

Reinstatement at the conclusion of the leave depends on the period of absence;

Leave of absence of less than one year

- Representative status for a period of 3 months prior to the application, PLUS all CPD points in arrears

OR

- certification to current competency.

Leave of absence of more than one year and less than three years

- Representative status for a period of 3 months prior to the application, PLUS 40 CPD points within the last two years

OR

- pass CFP Certification examination (1 x 3 hour examination).

Leave of absence of more than three years

- pass CFP Certification examination (1 x 3 hour examination).

Resignation/relinquishment

A CFP practitioner who relinquishes/resigns CFP certification and who subsequently wishes to reinstate their certification is required to re-apply. The current standards for CFP certification will apply to the new application.

International reciprocity

An individual who has been certified in one of the countries affiliated with the Financial Planning Standards Board and who is currently authorised to use the CFP marks in that country, can apply for CFP certification in Australia by:

- Providing certified evidence of Australian residency;
- Providing a Letter of Good Standing from the initial certifying organisation;
- Proving confirmation of Authorised Representative/representative status with an Australian Financial Services Licensee (AFSL);
- Completing *CFP1 Ethics Professionalism and Compliance*
- Passing the three hour multiple choice examination from the CFP Certification Assessment unit; and
- Fulfilling the remaining initial certification requirements in place at the time the application is made.

An individual who has been certified by FPA Australia can apply for CFP certification in another country affiliated with the Financial Planning Standards Board. Check the requirements with the association in that country and contact the FPA for a Letter of Good Standing.

APPENDIX A

Financial Planning Knowledge Topic Categories

1. TAXATION

Assessment Rules

Income taxation law fundamentals, tax compliance including filing requirements and audit

Personal Taxation

Income tax fundamentals and calculations

Income according to ordinary concepts, assessable income (ordinary, statutory, exempt income); salary packaging and Fringe Benefits Tax (FBT); unearned income; capital gains tax; tax deductions; Pay-As-You-Go (PAYG); eligible termination payments (ETP); income splitting, maximization of exclusions and credits, franking credits,

Tax implications of changing circumstances

Marriage; divorce; death

Business Taxation

Tax characteristics of business entities

Income and expenditures; capital gains tax; PAYG; alienation of personal services income; goods and services tax (GST); business succession planning (key person insurance, taxation implications, buy-sell agreements); small business CGT concessions

Taxation of insurance

Taxation of investment vehicles

Share investment; dividend imputation; dividend reinvestment; bonus issues; rights issues; interest bearing securities; real estate (deduction of expenses); managed investments (unit trusts); insurance bonds, friendly society bonds and insurance policies

Wealth Transfer

Characteristics and consequences of types of entities

Sole proprietorship; partnership; company; association; trust; selection of business form; acquisition and disposition

Characteristics and consequences of property titling

Common law vs. community property; sole ownership; joint tenancy; tenancy in common; trust ownership

Methods of property transfer at death

- Taxation issues (estate and non-estate issues; testate succession; intestate succession; advantages and disadvantages of CGT; assets subject to CGT; techniques for avoiding CGT)
- Transfers through trusts
- Transfers through contract

Gift giving strategies

Suitability of gifting as a planning strategy; techniques for gift-giving; appropriate gift property; strategies for closely held business owners, gifts of present and future interests, tax implications (income, gift, estate)

International Tax Issues

Tax issues for Australians overseas and migrants to Australia

Tax issues, superannuation, non-resident concepts

2. INSURANCE

Principles of insurance

- Definitions and application, response to risk (retain, transfer, control, reduce, avoid) mortality versus morbidity
- Analysis and evaluation of risk exposures – personal, property, liability
- Insurance policy selection – purpose of coverage, length of time required, risk tolerance, cash flow constraints

Business Insurance

- Insurance needs analysis and rationale
- General business liability - professional indemnity, errors and omissions, directors and officers, product liability
- Buy/sell agreements; key person insurance; business related risks

Life Insurance

- Fundamentals; types; contractual provisions
- Insurance needs analysis and rationale
- Policy replacement; tax issues and strategies; policy ownership issues and strategies

Use of life insurance in estate planning

Advantages and disadvantages; ownership, beneficiary designation and settlement options; life insurance trusts; estate taxation; income taxation; insurable interest

Disability Insurance/Income replacement

- Insurance needs analysis
- Occupational definitions and application; benefit period; benefit amount; taxation of benefits; waiting period; 'agreed' vs. 'indemnity'

Health Insurance

Medicare; private health insurance

Critical Illness Insurance

Trauma insurance

Property Insurance

Property, motor vehicle, business and business activity, personal property

INVESTMENT

Investment Types

Cash and fixed interest; share investments; hybrid securities, property, derivatives, options, futures, warrants, rights

Investment Structures

Managed funds, Master Trusts, Wrap accounts, property trusts.

Types of Investment Risk

Inflation; currency, market; market timing; portfolio; liquidity; strategy; political (legislative); exchange rate; diversification; mismatch; gearing; opportunity; fund manager; value; credit; fraud and scam.

Measurement of Investment Risk

Coefficient of determination; variability of returns, standard deviation, alpha, beta, covariance

Portfolio Management Techniques

Passive investment (indexing); fundamental analysis; buy and hold; technical analysis; efficient market anomalies

Leverage of investment assets – margin requirement, margin calls, home equity, instalment warrants

Selling and Buying Techniques

Formula investing (dollar cost averaging, dividend re-investment); market timing

Performance Measurement

Measures of investment returns

Annualised return; real (inflation adjusted); risk adjusted return; total return; after-tax return; yield-to-maturity; after-tax yield; realised compound yield

Performance methods

Sharpe measure, Treynor measure, Jensen measure, benchmarks

Modern Portfolio Theory

Measurement of risk and return; efficient market theory; asset allocation and portfolio diversification – strategic asset allocation, tactical asset allocation, passive vs. active portfolio management, capital Asset pricing Model (CAPM)

RETIREMENT, SAVINGS AND INCOME PROGRAMS

PERSONAL RETIREMENT

Retirement needs analysis

- Assumptions for retirement planning (inflation, retirement period and life expectancy; lifestyle, total return)
- Financial needs (living costs, charitable and beneficiary gifting objectives; medical costs including long-term care needs analysis; other needs such as trust funding, education funding etc.)
- Income sources (total return assumptions, probability analysis assumptions)
- Alternatives to compensate for projected cash-flow shortfalls

Superannuation

- Superannuation fund providers- public sector and industry funds; employer-sponsored funds; self managed superannuation funds, small APRA funds, retail or public offer funds
- Superannuation product features
- Retirement income streams (annuities or pensions, taxation, Centrelink assessment)
- Salary sacrifice
- Self-managed superannuation funds (SMSFs), membership, investment rules, taxation, borrowing, residency requirements
- Superannuation Guarantee support payments

Investment considerations for retirement plans

Suitability; time horizon; fiduciary considerations; prohibited transactions; insurance; death and disablement; income protection or salary continuance; binding death nomination; employment termination payments

Distribution rules, alternatives and taxation

- Superannuation fund styles (defined benefit, accumulation, hybrid)
- Benefit payment options
- Taxation

LAW

Legal aspects of insurance

Indemnity, insurable interest, contract requirements, contract characteristics.

Private Law

Consumer protection laws and credit reporting

Estate planning documents

- Wills - legal requirements, types of wills, avoiding will contests, testators family maintenance claims
- Powers of appointment - general POA, enduring POA, medical treatment POA, enduring power of guardianship, advanced medical directives (e.g. living wills), risks of POAs
- Trusts including testamentary trusts
- Marital agreements

Disposition of estate

Tax and non-tax consequences of various estate plans (outright distributions, transfers in trusts etc); estate planning for non-traditional relationships (children of another relationship, cohabitation, adoptions, same-sex relationships, communal relationships)

Business Law

Contracts; torts; agency; negotiable instruments; professional indemnity; fiduciary liability; arbitration and mediation

Family Breakdown

Superannuation

FINANCIAL ANALYSIS

Analysis of Financial Information

Time value of money concepts and calculations

Present value; future value; annuities; net present value (NPV); internal rate of return (IRR); irregular cash flows; inflation adjusted earning rates; return on equity

Bond and share investment valuation methods

Capitalised earnings; dividend growth models; ratio analysis, price/earnings; price/cash flow; price/sales; price/earnings growth

Personal Financial Ratios

Cash Management and Budgeting

Budgeting - discretionary vs. non-discretionary; financial strategies; saving strategies

Emergency fund planning - adequacy of reserves; liquidity vs. marketability.

Educational funding and financial aid – needs analysis; sources of funding;

Personal Financial Statements

Balance sheet (statement of financial position); cash flow statements

DEBT

Consumer Credit and Credit Management

Consumer debt; secured versus unsecured debt

Mortgages

Home equity loan and home equity line of credit; reverse mortgages

Leases

Buying versus leasing (e.g. housing, auto); calculation; variable and fixed rate loans; effect on financial statements

Insolvency and Bankruptcy

Bankruptcy; impact on superannuation

ECONOMIC AND REGULATORY ENVIRONMENT

Economic Environment

Economic concepts

Supply and demand; monetary policy; fiscal policy; economic indicators; business cycles; balance of payments; inflation

Regulatory Environment

Function, purpose and regulation of financial institutions

Financial services industry regulation requirements

Licensing; reporting and compliance

Insurance industry regulation

Regulatory considerations - superannuation

Complying superannuation funds; The Superannuation Industry (Supervision) legislation (SIS); Superannuation Complaints Tribunal; unclaimed money and lost members; Australian Prudential Regulation Authority (APRA)

GOVERNMENT BENEFITS PLANS

(defined in Australia as Social Security)

Centrelink

Eligibility, benefit, calculation of benefits, working after retirement, taxation, deeming, accommodation bonds, Commonwealth Seniors Health Cards, waiting periods

BEHAVIOURAL FINANCE

Client attitudes and behavioural characteristics

Cultural; family; life cycle and age; level of knowledge, experience and expertise; risk tolerance; attitudes towards money; spending styles.

ETHICS AND STANDARDS

Ethical and professional considerations in financial planning, including the FPA Code of Ethics and Rules of Professional Conduct and Practice Standards

APPENDIX B

FPA Six-Step Financial Planning Process

1	Gathering the data	To make appropriate recommendations on the client's financial future, the FPA practitioner member will work with the client to understand their current financial position, financial objectives and needs, and the levels and types of investments that will meet the client's goals
2	Identifying the clients' goals	An integral part of the planning process is the identification of the client's goals and objectives including: <ul style="list-style-type: none"> • Future income and asset levels • Placing investments in a secure manner • Future education expenses • Upgrading the family home • Protecting occupational income and assets through adequate death, disability and income protection cover • Estate planning, writing a will and appointing a power of attorney • Accumulating assets to a define level by a defined date • Maintaining an agreed level of investment accessibility and flexibility • Maintaining lifestyle against inflation rises
3	Identifying financial issues	The FPA practitioner member will compare the client's financial situation with their financial goals and identify steps necessary to achieve those goals. The client's current situation, goals and future plans will all form the basis of the financial plan
4	Preparing the financial plan	Having identified the client's goals and objectives and assessed the client's financial situation, the FPA practitioner member will formulate an overall strategy. The plan will provide clearly identified recommendations relating to the client's goals and objectives. It will also recommend any actions necessary to remedy shortfalls, for example in capital or income.
5	Implementing the financial plan	Once the client has agreed to the financial plan, the FPA practitioner member can implement the recommendations or assist the client through the process.
6	Reviewing the plan	The preparation and implementation of the financial plan is the starting point for the client's relationship with the FPA practitioner member. Ongoing services can include: <ul style="list-style-type: none"> • Tracking of existing investments • Reviewing progress in achieving the client's financial goals and revising strategies as required • Investment portfolio valuations and reviews • Information on new investment opportunities • Ongoing communications • Ongoing consultations as required