

# Diploma in Financial Planning Handbook 2019

**Diploma in Financial Planning**

**Your route to becoming a CERTIFIED FINANCIAL PLANNER™ Professional**



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# Becoming a CERTIFIED FINANCIAL PLANNER™ Professional

***Becoming a CERTIFIED FINANCIAL PLANNER™ professional means much more than gaining a level 6 qualification. It's a way of transforming the service you provide, helping you to deliver real value for clients. It'll transform your business success as a result too.***


Success in the Diploma in Financial Planning means you're eligible to join the CERTIFIED FINANCIAL PLANNER™ professionals in the UK and be part of a global community of over 170,000 Financial Planning professionals.

The Diploma in Financial Planning is an advanced level qualification which tests a candidate's ability to apply their detailed knowledge and skills of Financial Planning practice to deliver effective solutions for clients.

Becoming a CFP™ professional is not an easy undertaking. The assessment and learning process represents a significant challenge and that is why CFP™ certification is so highly respected as an international standard.

There are significant business benefits to becoming a CFP™ professional. As well as acquiring a well recognised and respected qualification, the learning process takes candidates through a rigorous six step Financial Planning process. This process not only recognises personal and practical development but symbolises strong technical knowledge along with the ability and skill to apply this knowledge to clients' situations and produce highly effective results. It is very much in line with the RDR requirements, helping the Financial Planner to deliver a service that puts the client first and their needs right at the heart of the process.

CFP™ professionals adhere to a strict code of ethics and practice standards. This is coupled with complying with rigorous CPD requirements to ensure that relevant competence is maintained. It sends the strongest message to clients that CFP™ professionals are fully committed to their own professional development and have reached the peak of the Financial Planning profession.

CERTIFIED FINANCIAL PLANNER™, CFP™ and  marks are international marks representing the highest professional certification globally that can be awarded to a Financial Planner. Over 1,000 CFP™ professionals in the UK are part of this global community of over 170,000.

## Education Level

The CISI Diploma in Financial Planning is a level 6 qualification recognised by Ofqual. It represents a challenging test of your technical ability by examination, but also assesses how well you can apply this knowledge in order to produce an effective financial plan - i.e. your planning skills. The qualification is based on the Financial Planner Competency Profile developed by FPSB. [www.FSPB.org](http://www.FSPB.org)

## Entry Requirements

In order to register for the CISI Diploma in Financial Planning, candidates must hold one of the following:

- An FCA-recognised RDR<sup>1</sup> Compliant Diploma post 1.1.13
- An FCA-recognised Transitional Qualification plus Qualification gap-fill
- A current and valid SPS

## Preparing for the Diploma in Financial Planning

Candidates should ensure that they are thoroughly familiar with the Diploma syllabus which can be found in Section 4 of this document. Additional reading is also recommended in Appendix II.

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<sup>1</sup> In June 2006, the former Financial Services Authority launched its Retail Distribution Review (RDR), targeting the quality and standard of advice available to consumers in the UK retail financial services. A resulting outcome requires that all retail financial advisers hold a qualification that is recognised as meeting the Regulator's RDR exam standards, commonly referred to as RDR compliant qualifications.

# 1. The Assessment Process

The assessment for the CISI Diploma in Financial Planning qualification comprises of two separate components, both of which must be passed successfully.

- i. Financial Planning & Advice
- ii. Financial Plan based on a case study

## **Financial Planning & Advice**

- RQF level 4
- Online exam lasting 2 hours and 30 minutes
- 60 multiple choice / multiple response questions
- 20 Case study based questions and calculations
- If failed, whole exam will need to be retaken
- Immediate results

## **Financial Plan**

- RQF level 6
- Financial Plan (12 weeks to complete)
- Each unit must be passed
- Failed units may be repeated up to two times
- Results issued in eight weeks

Candidates should pass the Financial Planning & Advice examination before proceeding to attempt and submit their Financial Plan.

After passing the examination, candidates may then purchase a case study. The case study will be selected randomly from a bank of case studies all of which will deal with a typical Financial Planning client. Candidates will have 12 weeks to prepare a Financial Plan based on the client scenario using the learning outcomes and assessment criteria as a guide.

The Financial Plan is assessed independently by two assessors using the assessment criteria. If the assessment is passed, provided all the other criteria are met, the candidate may apply to the CISI to become a CERTIFIED FINANCIAL PLANNER™ Professional.

If the case study assessment is not passed initially, then the plan may be resubmitted. It will be necessary to pass each unit in order to pass the qualification. If one or more units are not passed then the plan may be amended and resubmitted.

In such instances some limited feedback will be given to candidates in order to provide guidance on where their plan has failed.

## What training and support is available for candidates?

For Financial Planning and Advice – a CISI workbook is available and it is mandatory for candidates to purchase this. E-learning is also available.

Training Provision is available via our network of Accredited Training Partners and candidates should check the Accredited Training Partners page of the CISI website for further details – [cisi.org/atp](https://www.cisi.org/atp)

A sample paper is available on the CISI website.

## 2. About the Examination

### 2.1 What is tested and how?

The Financial Planning & Advice unit is assessed by an examination of 2 hours and 30 minutes, delivered online via Computer Based Testing.

The examination comprises 60 multiple response questions as well as 20 multiple response questions based on 4 case studies (5 questions on each case study), including financial calculations.

The exam is available on demand via our global network of test centres. Exam venue details can be found on the CISI website.

### 2.2 Registering for the Examination

Candidates should contact [FPexams@cisi.org](mailto:FPexams@cisi.org) with evidence that they meet the entry requirements as outlined on page 4 of this Handbook. Soft copy qualification certificates / Statements of Professional Standing are acceptable. Once the CISI has confirmed eligibility and the eligibility added to a candidate's record, candidates can proceed to booking the examination and should contact our Customer Support team.

Email: [Customer.support@cisi.org](mailto:Customer.support@cisi.org)

Tel: +44 020 7645 0600

Details of examination fees and workbook prices can be found on the CISI website: [cisi.org/prices](https://www.cisi.org/prices)

## 2.3 On the day of the examination

On the day of the examination you should arrive 20 minutes before the scheduled start time of the examination. It is possible the invigilator will not allow you to enter the exam room if you are late for the exam.

You should bring certified photo identification with you such as a Driving Licence or a Passport. The full list of the acceptable forms of identification can be found on the CISI website ([cisi.org/exampolicies](http://cisi.org/exampolicies)) in the CISI Examination Regulations.

UK candidates will be provided with a Hewlett Packard 10BII Business Calculator on the day of the exam and will not be permitted any other calculator.

Overseas candidates may bring their own calculator provided that it is either the Hewlett Packard 10BII calculator a non-programmable scientific calculator as specified by the CISI.

## 2.4 After the Examination

Examination results are available immediately to candidates.

### Successful candidates

If you have passed the examination, then you may apply for a case study to start the second part of the qualification. Successful candidates, provided that they hold the CISI's *Taxation in the UK for Individuals & Trusts* unit will have also met the qualification requirements for the CISI Level 4 Certificate in Paraplanning and will be awarded this qualification.

Those who hold the Certificate in Paraplanning may apply to the CISI to become an Accredited Paraplanner. Further information is available on our website:

**[cisi.org/cpp](http://cisi.org/cpp)**

### Unsuccessful candidates

If you do not reach the required pass standard, you may attempt the examination again. The CISI's Multiple Sittings policy will apply. Candidates may view all CISI exam policies and procedures on the CISI website: **[cisi.org/exampolicies](http://cisi.org/exampolicies)**

## 2.5 Assessment Queries and Appeals

We operate a clear and transparent assessment queries and appeals process in line with the regulatory arrangements of Ofqual, Qualifications Wales and CCEA in Northern Ireland. You may find our published policy on the CISI website:

**[cisi.org/exampolicies](http://cisi.org/exampolicies)**

Candidates wishing to query the content of an examination after completing an examination can do so by completing an online Exam feedback form available on the CISI website in the Feedback and Complaints section

Feedback is considered as a standard part of the assessment process.

### 3. About the Case Study

The case studies are written by Financial Planning professionals and are intended to replicate real-life clients who might be seeking Personal Financial Planning advice. Typically, there will be several areas of planning need and multiple objectives some of which may be unachievable, as they may be in real life. The case studies are based on English law and practice and Financial Plans should be answered on this basis. For candidates who wish to answer on the basis of Scottish law and practice, they should advise the CISI in advance of their assessment so that they can be issued with a case study where the clients live in Scotland.

#### 3.1 Submitting the Financial Plan for Assessment

Candidates should submit their Financial Plan by post together with a completed booking form and Assessment Submission Form (available on the CISI website). There should be nothing in the Financial Plan to identify the candidate or their firm. Candidates are also required to submit a Word/PDF version of their Financial Plan. Details of how to submit this will be sent to the candidates. Candidates should be aware that the CISI uses software to produce an originality report for each Financial Plan.

All learning outcomes assessed within the Financial Plan need to be passed in order that the candidate is successful and passes the qualification.

The assessment process will take eight weeks from the date of the agreed plan submission date. On receipt of the submission by CISI, the candidate's plan with the relevant marking sheets and case study are sent to two assessors.

If there is a difference in the marking of the two assessors which will materially affect the result, then the plan is sent to an adjudicator for adjudication on the points of disagreement. In this instance, further time is required for the adjudication process and the result will be issued within a 9 week timeline rather than 8.

If the candidate has passed the assessment, they are notified via email and formal notification / qualification certificate will follow shortly thereafter in accordance with the CISI's published policy.

If a candidate's Financial Plan does not meet the required standards, the candidate is sent a letter that will include constructive feedback to assist in correcting the parts they have failed, in order to meet the Diploma in Financial Planning standards.



It is emphasised that not all points will be raised in detail and candidates are advised to review any resubmission carefully against the Assessment Criteria which can be found in this Handbook.

The result letter will show which learning outcomes have been passed and failed. All learning outcomes within a unit must be passed to achieve a pass in the unit.

Candidates have 12 weeks from the date of the feedback letter to re-submit their revised plan for assessment. Only the failed units will be reassessed.

Following a fail on a second submission a further and final submission is allowed, giving three submissions per case study in total. The above assessment process is carried out for both second and third submissions, a copy of the candidate's previous submission(s) and current feedback letter are also sent to the assessors for their reference.

If the Financial Plan is failed following the third submission, it is not possible to resubmit based on the same case study. The candidate may apply for a new case study and start the assessment process again.

### **3.2 Feedback to candidates from assessors**

Candidates will be provided with feedback once the assessment process is complete. The feedback will state whether the Financial Plan has met the required standards (Pass / Fail). If the result is a pass, candidates may be provided with helpful guidance to improve further the standard of their Financial Plans. If a candidate meets the eligibility requirements, then they may apply to the CISI for certification as a CFP<sup>TM</sup> professional.

If the Financial Plan does not meet the required standards, feedback will be provided which will include:

- list of passed and failed units and list of passed and failed learning outcomes within the units
- general comments for improvement of the Financial Plan in order to meet the assessment criteria.

- brief comments on each failed unit and any failed learning outcomes.

### 3.3 Borderline Financial Plans

Under some circumstances a Financial Plan may be considered to be a borderline fail. In these circumstances, the assessors may request the following:

- the candidate may be offered an opportunity to submit a written justification of part(s) of their plan, via, for example, a letter to the client
- the candidate be requested to undertake some further work and be offered a Viva Voce examination
- the candidate be allowed to provide a fourth and final submission.

If the assessors have requested one of the above options, candidates will be notified at the time of their results issue.

A Viva Voce Assessment (viva) consists of oral questions posed to a candidate, to which the candidate gives an oral response in real time. This may be conducted by a physical meeting or telephone conference. A viva is primarily used to provide additional evidence to help assessors decide whether to pass a borderline fail Financial Plan.

All viva candidates will be questioned by using short, open questions based upon the Assessment criteria and designed and phrased to assess the candidate's understanding in specific learning outcomes not met. All candidates will be questioned on their understanding of the Financial Planning process. Those candidates exhibiting potential weaknesses in application of the Financial Planning process to specific technical areas will also be questioned on those areas. Normally at least three questions will be posed per area of assessment.

The viva may last between 30 minutes and an hour and will terminate when the assessors are satisfied enough evidence has been gathered upon which to make a decision.

At the commencement of each viva, the candidate's identity must be verified by:

- checking his/her candidate number;
- sight of identification (eg passport or ID Card with photograph) or
- by a witness physically present who can verify the candidate's identity (normally a CFP™ professional or other person regulated by a recognised profession or regulatory body eg T&C or Compliance officer).

### 3.4 Feedback Clarification

Candidates who have been unsuccessful in the assessment and require further information on the feedback provided may request clarification on the feedback received. All requests should be received within two weeks of the result issue.

At this point, if the candidate is due to make a further submission, the submission deadline will be frozen.

Clarification on the feedback provided will be issued by the CISI within two weeks. This may take the form of written clarification or an informal conversation with the CISI's Deputy Head of Financial Planning who will have reviewed the assessors' comments and feedback provided. In exceptional circumstances, where such clarification cannot be provided within two weeks, the CISI will communicate to the candidate when they can expect to receive the clarification requested.

### **3.5 Assessment Queries**

Candidates who are dissatisfied with their assessment outcome may lodge an assessment query with the CISI. They should email the CISI within two weeks of receiving their result outlining their concerns.

Their concerns will be reviewed by the CISI by a suitably qualified person, independent of the assessment process.

The outcome of the review will be provided to the candidate within two weeks of the assessment query being received. Again, in exceptional circumstances, where this timeline cannot be met the CISI will communicate to the candidate when they can expect to receive the outcome.

Where the review finds the original result issued is valid, this result will be upheld and this will be communicated to the candidate.

Where the review finds there may be grounds to query the original result, the plan may be sent for third marking. The review decision will be communicated to the candidate within two weeks of the date of receipt of the assessment query.

### **3.6 Formal Appeals**

#### **Formal Appeal – Acceptable Grounds**

Candidates who have been through the feedback clarification process and / or the assessment query process but remain dissatisfied with their result have the right of formal appeal on the following grounds only:

- The candidate has evidence that due process has not been followed in the marking of the plan – for example, the application of the assessment criteria

Appeals must be submitted in writing and will only be considered:

- Once the assessment query process has been exhausted. This includes, as indicated above, assessment review
- If the appeal is submitted within two weeks of receipt of the review decision

## Formal Appeal – Non-Acceptable Grounds

The Diploma in Financial Planning is undertaken by those wishing to demonstrate an advanced level of competence in the field of Financial Planning. Therefore, competence cannot be assumed but must be demonstrated.

Appeals will therefore not be accepted on the grounds of feedback issued.

Appeals will not be accepted on the grounds of disagreement with assessor judgement.

## Submitting an appeal

Appeals must be submitted by letter detailing the candidate's case and posted with a cheque for £100. This £100 appeal fee will be reimbursed in the event that the appeal is upheld. Appeals should be addressed directly to the CISI Acting Global Director of Learning. Appeals will be acknowledged within five working days. Please contact the CISI to ensure your appeal has been received.

## Appeal Process and Outcome

If an appeal is granted on the grounds stated above, a Panel, including a member who is independent of the CISI will be convened. The Appeal Panel will meet within four weeks of receipt of the candidate's appeal submission. A letter explaining the outcome of the appeal and any appropriate action will be sent no later than two weeks after the Panel has convened. Where the outcome of an appeal the accuracy of other results, the CISI will take appropriate action to review these results in order to ensure the integrity of the assessment and fairness to all candidates.

## Independent Review

If the candidates remain dissatisfied with the appeals process, a final independent review of the process may be instigated. This will be undertaken by an independent reviewer. Request for independent review will only be considered if submitted within two weeks of receipt of the appeal outcome.

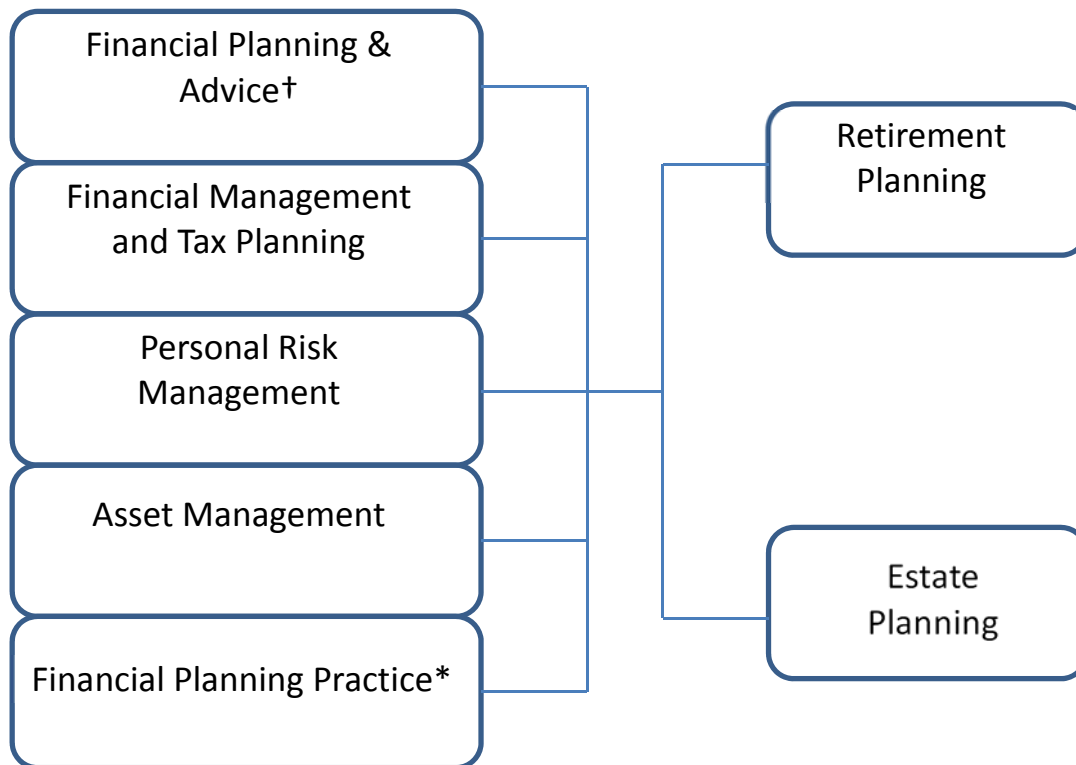
The timescale for independent review cannot be specified because, where a senior representative of an organisation unconnected to the CISI, or a specialist unconnected to the CISI is asked to conduct a detailed review, adequate time must be allowed for the reviewer to familiarise themselves with CISI procedures and evidence in the case.

Such reviewers undertake the work without prejudice and with the freedom to make whatever recommendations seem appropriate (whether for or against the CISI position) and, therefore, the reviewer has the right to expect confidentiality. Thus, while the CISI can give details to the type or organisation and job role of the reviewer, specific details cannot be provided.

## 4 CISI Level 6 Diploma in Financial Planning Syllabus

### Core Units

### Optional Units (1 from 2)



† Assessed by via 2 hour and 30 minutes examination delivered via Computer Based Testing. The full syllabus is attached at Appendix III.

\* Holistic outcome covering synthesis and implementation

Assessment will be by Examination (Unit 1 – Financial Planning & Advice) and a Financial Plan based on a case study (Units 2, 3, 4, 5 and ONE of Units 6 or 7)

## Assessment Notes

It should be noted that a unit can only be passed if **all** learning outcomes in that unit are met.

In some learning outcomes, where assessment criteria are shown in bold, these are mandatory criteria which **must** be passed or the learning outcome will not be deemed to have been met.

In all learning outcomes, candidates must demonstrate overall competence. This may mean that not all assessment criteria are met but that the majority have been met and, on balance, the learning outcome has been achieved (provided that any mandatory criteria have also been met). This is for the assessors to judge in marking the financial plan against the published assessment criteria.

## Core Unit 2: Financial Management and Tax Planning

<b>Title</b>	<b>Financial Management and Tax Planning</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>11</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and evaluate financial information	<p>1.1 Determine the client's attitude towards savings and debt</p> <p>1.2 Assess the impact of potential changes in income and expenditure</p> <p>1.3 Identify conflicting demands on cash flow</p>
2. Demonstrate the ability to prepare a net worth statement	<p><b>2.1 Produce an accurate net worth statement based on current circumstances</b></p> <p>2.2 Produce an accurate net worth statement for any or all of the following, as appropriate:</p> <p>(i) On death</p> <p>(ii) On specific events such as illness, disability, retirement</p> <p>2.3 Include all the relevant assets and liabilities</p> <p>2.4 Identify the ownership basis of the assets</p> <p>2.5 Identify and apportion all relevant debts</p> <p>2.6 Provide a date for each net worth statement</p> <p>2.7 Clarify whether each net worth statement relates to lifetime, death or other scenarios</p>
3. Demonstrate the ability to prepare an income and expenditure analysis	<p>3.1 <b>Produce an income and expenditure</b> analysis and identify clearly the time period to which it relates</p> <p>3.2 Identify gross and net income</p> <p>3.3 Distinguish between regular and irregular receipts</p> <p>3.4 Apportion income between recipients, where necessary</p> <p>3.5 Calculate client expenditure</p> <p><b>3.6 Calculate shortfall or surplus income</b></p>
4. Demonstrate the ability to evaluate the client's tax position and liabilities	<p><b>4.1 Produce an accurate tax calculation for the client</b></p> <p>4.2 Identify the taxable nature of assets</p> <p>4.3 Calculate a tax liability for each relevant tax</p> <p>4.4 Identify clearly the time period to which the tax liability relates</p> <p><b>4.5 Calculate National Insurance contributions</b></p>
5. Demonstrate the ability to develop and evaluate financial management strategies	<p>5.1 Develop financial management strategies</p> <p>5.2 Identify an appropriate and effective financial management strategy</p> <p>5.3 Ensure that the identified financial management strategy meets the client's stated objectives as fully as possible</p>
6. Demonstrate the ability to develop and	6.1 Develop tax planning strategies

<p>evaluate tax planning strategies</p>	<p>6.2 Identify an appropriate and effective tax planning strategy 6.3 Ensure that the identified tax planning strategy is appropriate to the client's circumstances</p>
<p>7. Demonstrate the ability to produce effective recommendations which meet client objectives and are technically accurate</p>	<p>7.1 Clarify whether the client's objectives can be achieved within current and/or future cash flow restraints 7.2 Clarify how the solution can be adjusted, if necessary, to fit any identified cash flow restraints 7.3 Consider a liquidity and/or cash reserve 7.4 Explain how each recommendation meets the client's objectives as fully as possible 7.5 Explain the tax position resulting in comments to the client 7.6 Ensure that the proposed solution meets the client's agreed objectives as fully as possible <b>7.7 Ensure that the solution is technically accurate</b></p>



## Core Unit 3: Personal Risk Management

<b>Title</b>	<b>Personal Risk Management</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>8</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and evaluate risk and personal risk management issues	1.1 Quantify and qualify the client's needs and objectives 1.2 Identify the client's attitude to mortality and morbidity risk 1.3 Discuss the client's financial exposure to mortality and morbidity risk 1.4 Analyse and take into account existing risk management strategies and insurance policies 1.5 Take into account existing or anticipated assets or capital 1.6 Use appropriate, reasoned and reasonable assumptions
2. Demonstrate the ability to develop and evaluate personal risk management strategies	2.1 Develop personal risk management strategies 2.2 Identify an appropriate and effective personal risk management strategy <b>2.3 Ensure that the identified personal risk management strategy meets the client's stated objectives as fully as possible</b>
3. Demonstrate the ability to prepare effective recommendations which meet client objectives and are technically accurate	3.1 Analyse the taxation considerations of the solution during lifetime and on death 3.2 Explain the qualifications, caveats and implications of the solution clearly to the client, for example, taxation, underwriting, legal and generic contract limitations 3.3 Ensure that the solution is affordable within parameters agreed with the client 3.4 Ensure that the solution matches the client's agreed investment risk attitude (where appropriate) 3.5 Explain the ownership and method of arranging the solution 3.6 Take into account social security benefits, where applicable <b>3.7 Ensure that the proposed solution meets the client's agreed objectives as fully as possible</b> <b>3.8 Ensure that the solution is technically accurate</b>

## Core Unit 4: Asset Management

<b>Title</b>	<b>Asset Management</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>11</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and evaluate existing and desired portfolio provision	1.1 Quantify and qualify the client needs and objectives 1.2 Establish clear portfolio parameters 1.3 Analyse existing assets and compare them against the portfolio parameters 1.4 Identify all relevant assumptions and portfolio returns 1.5 Determine the client's risk tolerance and capacity for loss and compare it to the existing portfolio <b>1.6 Analyse the existing portfolio and identify any gaps</b> 1.7 Analyse current and future income requirements 1.8 Calculate the following: (i) Capital needed at a given date (ii) Capital discounted back to today's value (iii) Capital/income needed now (iv) Shortfall/surplus 1.9 Ensure that the link to portfolio return is in line with the client's identified attitude to risk 1.10 Consider diversity in the portfolio
2. Demonstrate the ability to analyse risk	2.1 Analyse and evaluate the different types of risk with regard to: (i) systemic and non-systemic (ii) economic, political, market, volatility, longevity, deviation from an index, inflation / deflation etc. <b>2.2 Identify and quantify appropriate mortality and morbidity risks</b> 2.3 Consider diversification methods to reduce risk
3. Demonstrate the ability to develop and evaluate asset management strategies	3.1 Develop asset management strategies 3.2 Identify an appropriate and effective asset management strategy <b>3.3 Ensure that the identified asset management strategy meets the client's stated objectives as fully as possible</b>
4. Demonstrate the ability to develop asset management solutions which meet client objectives and are technically accurate	4.1 Make allowance in the portfolio for liquidity 4.2 Identify and explain all assumptions 4.3 Ensure that all assumptions are reasoned, reasonable and take account of variations in returns of different asset classes 4.4 Ensure that the affordability of capital/income required is based on the agreed cash flow/ expenditure pattern 4.5 Identify and justify asset/product ownership 4.6 Identify obstacles to achieving the client's specific objectives

	<p>4.7 Take into account existing or anticipated assets or capital</p> <p>4.8 Take into account social security benefits and contributions, if appropriate</p> <p>4.9 Take into account and explain all relevant taxation considerations</p> <p>4.10 Ensure that the solution takes identified mortality and morbidity risks into account</p> <p>4.11 Identify and explain any relevant implications, limitations and legal/taxation considerations</p> <p>4.12 Ensure that the solution is consistent with the client's agreed investment attitude</p> <p><b>4.13 Ensure that the proposed solution meets the client's agreed objectives and needs as fully as possible</b></p> <p>4.14 Ensure that the solution is technically accurate</p>
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## Core Unit 5: Financial Planning Practice

<b>Title</b>	<b>Financial Planning Practice</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>14</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and critically evaluate financial planning information	<ul style="list-style-type: none"> <li>1.1 Identify all the information required for a financial plan</li> <li>1.2 Establish and record the client's needs, objectives and aspirations</li> <li>1.3 Quantify and qualify the client's needs and objectives</li> <li>1.4 Ensure that other needs and issues are considered, recorded and a conclusion reached</li> <li>1.5 Quantify and qualify potential problems</li> <li>1.6 Establish the client's attitude to investment risk in relation to each of the objectives</li> <li>1.7 Ensure that the plan includes all relevant client data</li> <li>1.8 Identify any missing client data</li> </ul>
2. Demonstrate the ability to develop and use assumptions in the Financial Planning process	<ul style="list-style-type: none"> <li>2.1 Discuss assumptions regarding investment growth, price inflation and earnings inflation</li> <li>2.2 Discuss other relevant assumptions</li> <li>2.3 Ensure that all assumptions are: <ul style="list-style-type: none"> <li>(i) adequate</li> <li>(ii) reasoned</li> <li>(iii) reasonable</li> </ul> </li> </ul>
3. Demonstrate the ability to produce comprehensive recommendations which meet client objectives and are technically accurate	<ul style="list-style-type: none"> <li>3.1 Develop comprehensive recommendations for each of the client's objectives</li> <li>3.2 Explain how the proposed solutions solve the identified problems as fully as possible</li> <li>3.3 Clarify whether the client's objectives can be achieved within current and/or future cash flow constraints</li> <li>3.4 Clarify whether the solution can be trimmed, adjusted or prioritised to fit cash flow constraints, if the client's objectives cannot be achieved</li> <li>3.5 Explain the required actions, timing and responsibilities</li> <li>3.6 Explain the underwriting process for life assurance products, where appropriate</li> <li>3.7 Explain the application process for investment products and services including unit trusts, wraps and platforms</li> </ul>
4. Demonstrate the ability to write a clear, concise Financial Plan which meets a client's objectives and is technically accurate	<ul style="list-style-type: none"> <li>4.1 Include all the components of a Financial Plan <ul style="list-style-type: none"> <li>(i) Contents page</li> <li>(ii) Introduction</li> <li>(iii) Objectives</li> <li>(iv) Attitudes</li> <li>(v) Assumptions</li> <li>(vi) Assets and liabilities</li> <li>(vii) Income and expenditure</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>(viii) Financial management</li> <li>(ix) Tax planning</li> <li>(x) Personal risk management</li> <li>(xi) Asset management</li> <li>(xii) Retirement and/or estate planning</li> <li>(xiii) Action plan</li> <li>(xiv) Reviews</li> </ul> <p>4.2 Ensure that the plan is a single document (bound or electronic)</p> <p>4.3 Ensure that the plan has a logical structure, and is easy to read and follow</p> <p>4.4 Use clear and appropriate language throughout the plan</p> <p>4.5 Explain and justify all recommendations</p> <p>4.6 Refer to and justify the exclusion of any financial planning issues</p> <p>4.7 Provide a clear action plan for the client</p> <p>4.8 Ensure that the solutions are generally suitable for the client, with no evidence of unsuitable advice</p> <p>4.9 Ensure that the solutions are technically accurate</p>
<p>5. Demonstrate the ability to understand the review process</p>	<p>5.1 Explain the reason why client reviews are needed</p> <p>5.2 Explain what a client review will cover and who will be involved</p> <p>5.3 Explain the timings and actions involved</p> <p>5.4 Explain how the review process will be initiated</p>

## Optional Unit 6: Retirement Planning

<b>Title</b>	<b>Retirement Planning</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>8</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and evaluate retirement planning issues	<p>1.1 Quantify and qualify retirement planning needs and objectives</p> <p><b>1.2 Establish the income and capital required to achieve current or future objectives, needs and the timescale(s) applicable</b></p> <p>1.3 Take into account and analyse existing assets or capital</p> <p>1.4 Use appropriate, reasoned and reasonable assumptions</p> <p>1.5 Take into account social security benefits and contributions</p> <p>1.6 Take into account taxation considerations</p> <p>1.7 Quantify and qualify appropriate mortality and morbidity risks</p>
2. Demonstrate the ability to develop and evaluate retirement planning strategies	<p>2.1 Develop retirement planning strategies</p> <p>2.2 Identify an appropriate and effective retirement planning strategy</p> <p>2.3 Ensure that the identified retirement planning strategy meets the client's stated objectives as fully as possible</p>
3. Demonstrate the ability to produce effective recommendations that meet the client's needs and objectives and are technically accurate	<p>3.1 Analyse the taxation considerations of the solutions</p> <p>3.2 Explain the qualifications, caveats and implications of the solution</p> <p>3.3 Take into account social security benefits, where appropriate</p> <p>3.4 Ensure that the solution takes identified mortality / morbidity risks into account</p> <p>3.5 Ensure that the solution is consistent with the client's agreed investment attitude</p> <p>3.6 State and explain any relevant implications, limitations and legal/taxation conditions/ consequences</p> <p>3.7 Ensure that the capital or expenditure from income required can be afforded based on the client's agreed cash flow/expenditure pattern</p> <p><b>3.8 Ensure that the proposed solution meets the client's stated needs and objectives as fully as possible</b></p> <p>3.9 Ensure that the solution is technically accurate</p>

## Optional Unit 7: Estate Planning

<b>Title</b>	<b>Estate Planning</b>
<b>Level</b>	<b>6</b>
<b>Credit Value</b>	<b>8</b>
<b>Learning Outcome – the learner will</b>	<b>Assessment Criterion – the learner can</b>
1. Demonstrate the ability to analyse and evaluate estate planning issues	<ul style="list-style-type: none"> <li>1.1 Quantify and qualify estate planning needs and objectives</li> <li>1.2 Consider the most appropriate methods of achieving the client's wishes</li> <li>1.3 Take into account taxation considerations for the client and the intended beneficiaries</li> <li>1.4 Identify and explain relevant implications and/or limitations identified and explained</li> <li>1.5 Identify and explain any 'knock on' effects on other areas of financial planning</li> <li>1.6 Identify and explain issues that should be referred to specialist legal and/or taxation advisers</li> </ul>
2. Demonstrate the ability to develop and evaluate estate planning strategies	<ul style="list-style-type: none"> <li>2.1 Develop estate planning strategies</li> <li>2.2 Explain the appropriate ownership of assets to achieve the stated objectives</li> <li>2.3 Identify an appropriate and effective estate planning strategy</li> <li>2.4 Ensure that the identified estate planning strategy meets the client's stated objectives as fully as possible</li> </ul>
3. Demonstrate the ability to produce effective recommendations that meet the client's needs and objectives and are technically accurate	<ul style="list-style-type: none"> <li>3.1 Analyse the taxation considerations of the solution</li> <li>3.2 Ensure that there is appropriate <ul style="list-style-type: none"> <li>(i) use of wills</li> <li>(ii) use of trusts</li> <li>(iii) use of powers of attorney</li> <li>(iv) use of gifts</li> </ul> </li> <li>3.3 Explain the qualifications, caveats and implications of the solution</li> <li>3.4 Take into account social security benefits where appropriate</li> <li>3.5 Ensure that the solution is consistent with the client's agreed investment attitude</li> <li>3.6 Ensure that the capital or expenditure from income required can be afforded based on the client's agreed cash flow/expenditure pattern</li> <li>3.7 Ensure that the proposed solution meets the client's stated objectives as fully as possible</li> <li>3.8 Ensure that the solution is technically accurate</li> </ul>

# Appendix I

## CFP™ Certification - Entry Requirements

To be eligible to embark on the process of becoming a CFP professional there are **three compulsory** criteria which must be met:

- Experience
- Evidence of Prior Learning
- CISI Diploma in Financial Planning

### 1. Experience

Have a minimum of one year's supervised or three years' unsupervised experience within Financial Planning.

Examples of the sorts of experience that is acceptable are:

#### 1.1 Relevant Work Experience

An individual demonstrates relevant work experience, either supervised or unsupervised, working with clients while:

- Engaging in practice described in FPSB's Financial Planning Practice Standards;
- Applying the abilities, skills and knowledge described in FPSB's Financial Planner Competency Profile; and
- Adhering to ethical principles described in FPSB's Financial Planner Code of Ethics and Professional Responsibility.

#### 1.2 Supervised Experience

Supervised Experience can be met by completing one year of supervised practice as described above under Relevant Work Experience.

The supervisor, who must be a Financial Planning professional who has mastered the abilities, skills and knowledge described in FPSB's Financial Planner Competency Profile:

- Provides candidates with experience in, and instruction about, the practice of the profession;
- Helps candidates to develop knowledge about the practice of the profession;
- Teaches candidates the required standards of conduct; and
- Confirms candidates are able to interact with clients.

At the end of the supervised practice period, the supervisor attests to the CISI in writing to the candidate's readiness to competently and ethically practice Financial Planning.

#### 1.3 Unsupervised Experience

Unsupervised Experience can be met by completing three years of unsupervised practice as described above under Relevant Work Experience.

Examples of the sorts of experience that are not acceptable are:



- Occupations or experience outside of the financial world or roles that do not involve numeracy work or application of financial knowledge either directly to the public or in training those who come into contact with the public
- Pure supervisory management in banking or motivational training where no financial information is analysed or applied for the benefit of advice to the public.

## 2. Examination Passes

Candidates must hold an RDR compliant qualification and must have completed the Diploma in Financial Planning.

### Policy on changes to certification requirements

#### i. Changes to Requirements

All changes to certification requirements will be published on the CISI website.

#### ii. Impact on Certificants

Successful candidates who meet the eligibility requirements may apply to the CISI to become a CFP™ professional. The CISI will assess all candidates for CFP™ certification against the most current certification requirements with immediate effect from the publication of such changes.

## Candidates who are part-qualified

Candidates may not start the Diploma in Financial Planning assessment process unless they comply with the required entry standards. Experience shows those embarking on the examination process without the full entry requirements dramatically reduce their chances of passing the Diploma in Financial Planning.

## Candidates who do not hold the relevant work experience requirements

Candidates may start the Diploma in Financial Planning, providing they meet the qualification entry requirement before gaining the relevant work experience. However, they will have to gain the relevant work experience before becoming the Certified Financial Planner™ Professional.

## Entry Requirement Enquiries:

If you have a specific query about entry requirements for the Diploma in Financial Planning please email [fpexams@cisi.org](mailto:fpexams@cisi.org)

## Appendix II

### Recommended reading list:

As well as studying the syllabus, we recommend that you familiarise yourself with the techniques associated with creating a comprehensive financial plan by consulting the following books:

<p><b>SDB Training – Easy Steps Guides:</b> (<a href="http://www.sdbtraining.co.uk">www.sdbtraining.co.uk</a>)</p> <ul style="list-style-type: none"><li>• <i>Income Tax Calculations</i></li><li>• <i>IHT Calculations</i></li><li>• <i>CGT Calculations.</i></li><li>• <i>Financial Calculations Guide</i></li></ul>
<p><b>Whillans Tax Tables – latest edition</b> <a href="http://www.lexisnexis.co.uk">www.lexisnexis.co.uk</a></p>
<p><b>Time Value of Money Booklet (CISI)</b> <i>Available to purchase from the CISI, the booklet breaks down a variety of time value of money calculations into easy to remember steps.</i> <a href="http://www.cisi.org/bookshop">www.cisi.org/bookshop</a></p>
<p><b>Seven Stages of Money Maturity</b> <i>by George Kinder. From where do our attitudes about money come – how do they influence our lives? How can we approach financial planning with honesty and without fear?</i></p>
<p><b>The Life Assurance and Pensions Handbook - Taxbriefs</b> <i>This is the market leading guide for Advisers, updating legal and regulatory changes and acting as comprehensive aide memoir for advisers.</i> <a href="http://www.taxbriefs.co.uk">www.taxbriefs.co.uk</a></p>
<p><b>Taxbriefs Tax Guide (latest edition) - Taxbriefs</b> <i>The most complete tax planning guide designed for advisers, covering not only personal tax issues but also the taxation of business.</i></p>
<p><b>Professional Advisers Fact File - Taxbriefs</b> <i>A handy source of data that every adviser needs to answer client questions and help explain and promote various aspects of financial planning.</i></p>
<p><b>DIY Financial Planning Guide</b> <i>By Jane Wheeler. Jane is a CERTIFIED FINANCIAL PLANNER™ professional and a Chartered Financial Planner. The Guide is based on Jane's useful book for consumers on Financial Planning called "Sorted!" It gives helpful tips and guidance around key Financial Planning steps.</i> Download DIY Financial Planning Guide - <a href="http://www.financialplanning.org.uk/sites/financialplanning.org.uk/files/user/121116_fpw_a_brief_guide_to_diy_financial_planning.pdf">www.financialplanning.org.uk/sites/financialplanning.org.uk/files/user/121116_fpw_a_brief_guide_to_diy_financial_planning.pdf</a></p>
<p><b>The process of financial planning – Taxbriefs</b> <i>A practical guide for financial advisers looking to begin re-engineering the way they give financial advice.</i> <a href="http://www.taxbriefs.co.uk">www.taxbriefs.co.uk</a></p>

## Recommended websites:

We also recommend that you familiarise yourself with the various technical data and techniques associated with creating a comprehensive financial plan by consulting the following websites:

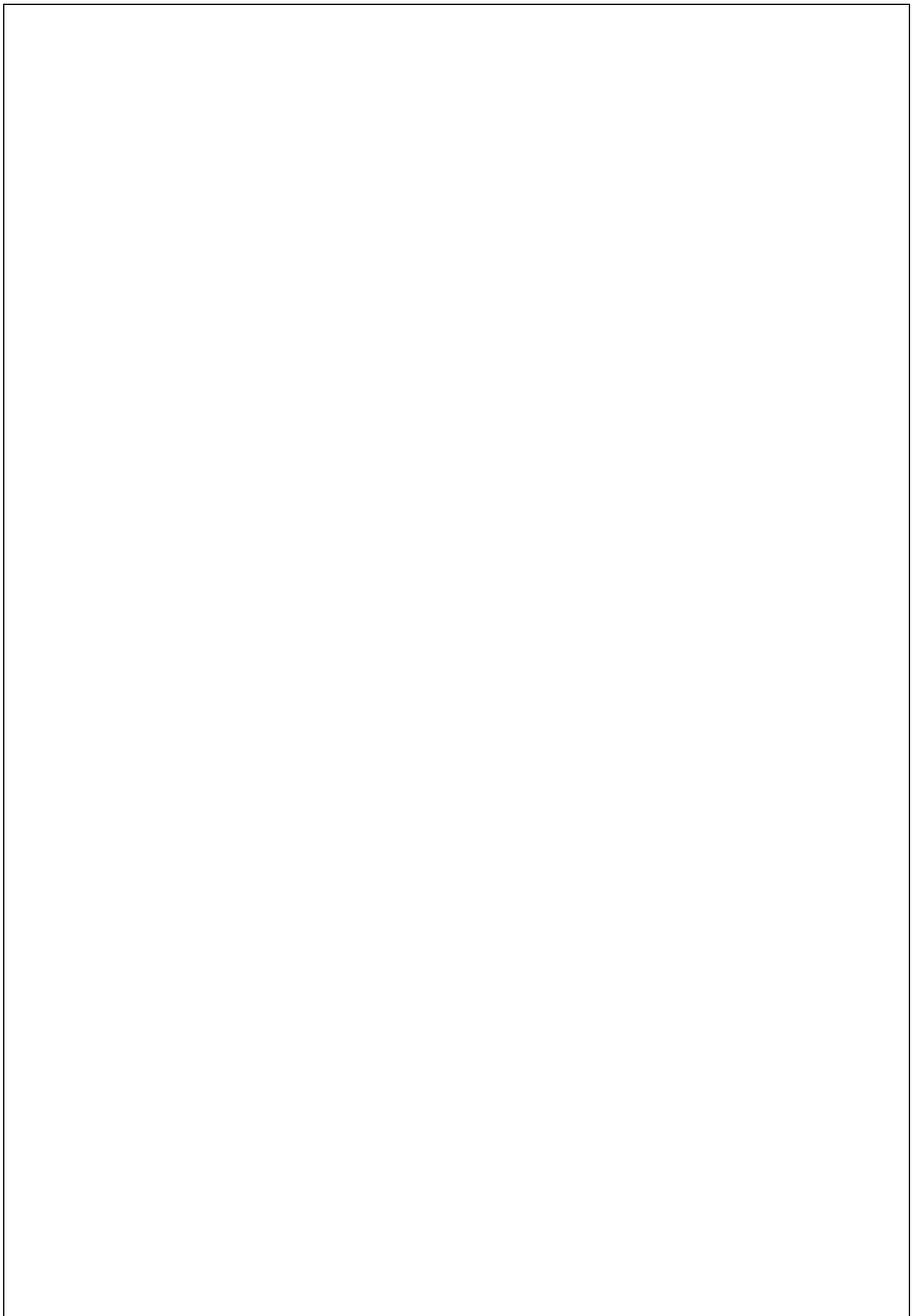
Useful websites
Debt Management Office for information on the UK gilts market: <a href="http://www.dmo.gov.uk/">www.dmo.gov.uk/</a>
Retail Prices Index history <a href="https://www.ons.gov.uk/atoz">https://www.ons.gov.uk/atoz</a>
Official life expectancy data: <a href="http://ons.gov.uk/ons/taxonomy/index.html?nscl=Life+Expectancies">http://ons.gov.uk/ons/taxonomy/index.html?nscl=Life+Expectancies</a>
Association of Investment Companies – investment trust and closed-ended investment company data: <a href="http://www.theaic.co.uk">www.theaic.co.uk</a>
The Investment Association – OEIC and unit trust data: <a href="http://www.theinvestmentassociation.org">www.theinvestmentassociation.org</a>



# Financial Planning and Advice

Effective from 31 August 2016

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## Objective of the Examination

The unit is for individuals advising on retail investment products. It covers financial protection, pensions and retirement and financial planning skills, building on the core knowledge gained from the UK Regulation & Professional Integrity unit; and the Investment, Risk & Taxation unit of the CISI Investment Advice Diploma. It is also the first part of the pathway to becoming a CFP<sup>CM</sup> professional.

## Assessment Structure

The unit will be assessed by one paper lasting two and a half hours. The assessment will draw from across the syllabus and will include a mix of multiple choice and multiple response questions with some based on case studies.

The examination will require candidates to give consideration to the full range of solutions and products as well as the instruments on which the solutions are based. Candidates will also be assessed on other matters on which a financial adviser may be consulted and, in doing so, will be assessed on their ability to draw on any of the subject matter covered in the UK Regulation & Professional Integrity unit; and the Investment, Risk & Taxation unit.

The unit is tested at level 4 on the Regulated Qualifications Framework.

## Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, identify, **understand**, **be able to calculate**, **be able to apply**, **be able to analyse**, **be able to interpret** or **be able to evaluate**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** requires the candidate to recall information such as facts, rules and principles
- **identify** requires the candidate to recognise one or more pieces of information relevant to making an informed judgement
- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** requires the candidate to be able to use formulae to perform calculations
- **be able to analyse** requires the candidate to review the information content in detail and draw conclusions
- **be able to interpret** requires the candidate to review the information content and extract meaning from it
- **be able to evaluate** requires the candidate to review the information content and make an informed judgement based on a set of criteria



## Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website ([cisi.org/candidateupdate](http://cisi.org/candidateupdate)) on a regular basis for updates that could affect their examination as a result of industry changes.

## Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element and / or case study should not change by more than two.

<b>Financial Planning and Advice</b>		
Element 1	Financial Protection	20 Multiple Choice/Response Questions 1 Case Study (of 5 Questions)
Element 2	Retirement Planning	20 Multiple Choice/Response Questions 1 Case Study (of 5 Questions)
Element 3	Financial Planning	20 Multiple Choice/Response Questions 2 Case Studies (of 5 Questions)
<b>TOTAL</b>		<b>80 Questions</b>

## Summary Syllabus

### **Element 1 Financial Protection**

- 1.1 Consumer and Retail Market Factors and Trends Relevant to Financial Protection
- 1.2 Protection Planning
- 1.3 Selecting Appropriate Protection Solutions

### **Element 2 Retirement Planning**

- 2.1 Pension Provision in the Context of Political, Economic, Legal and Social Environment Factors
- 2.2 Pension Scheme Taxation
- 2.3 Pensions Law and Regulation
- 2.4 Defined Benefit (DB) and Defined Contribution (DC) Schemes
- 2.5 State Retirement Benefits
- 2.6 Taking a Retirement Income
- 2.7 Financial Planning and Advice for Retirement

### **Element 3 Financial Planning**

- 3.1 Financial Planning Fundamentals
- 3.2 Financial Planning Assumptions
- 3.3 Establishing the Client-Planner Relationship
- 3.4 Collect the Client's Information
- 3.5 Analyse the Client's Financial Status
- 3.6 Developing and Communicating Financial Planning Recommendations
- 3.7 Implement Financial Planning Recommendations
- 3.8 Review the Client's Situation

**Element 1 Financial Protection**

**1.1 Consumer and Retail Market Factors and Trends Relevant to Financial Protection**

On completion, the candidate should:

1.1.1 *understand* the key consumer attitudes, retail market factors and trends which are relevant to financial protection:

- health and morbidity
- longevity and mortality
- employment
- product design and development
- access to advice and / or insurance cover
- compensation and consumer protection

**1.2 Protection Planning**

On completion, the candidate should:

**Protection Needs**

1.2.1 *be able to analyse* the areas of personal income, family income and capital protection needs:

- health, incapacity, accident
- income, mortgage and other debt
- death, asset protection

1.2.2 *understand* the relationship between insurance and assets and liabilities

1.2.3 *be able to analyse* the role of insurance in mitigating personal financial risk

1.2.4 *understand* the areas of business protection needs – small to medium-sized enterprises (SMEs)

## Sources of Financial Protection

1.2.5 *understand* the range and limitations of state, local authority and other welfare benefits including:

- state pension and pension credit
- housing, rent rebates, mortgage repayment and Council Tax benefits
- incapacity, disability, sickness and maternity benefits
- social care provision
- universal credit and other tax credits

1.2.6 *be able to evaluate* the impact of incorporating state and other welfare benefits into a financial plan

## Life Assurance and Pension-Based Policies

1.2.7 *be able to analyse* the range, structure and application of life assurance, legacy pension-based and employment-based policies to meet financial protection needs including:

- types of policies, comparative costs, benefits and advantages
- cost and premium calculation factors
- legal requirements, ownership, uses and relevance of trusts
- underwriting and claims: issues and processes
- terminal illness benefit
- assignments, surrenders, paid-up policies, claims
- employer-sponsored benefit schemes

1.2.8 *be able to evaluate* the taxation treatment of life assurance and pension-based protection policies including:

- qualifying and non-qualifying life insurance policies, offshore life insurance policies
- taxation of life funds (onshore and offshore)
- Capital Gains Tax (CGT) and life assurance policies
- Inheritance Tax (IHT) and life assurance

- tax on income and distributions

1.2.9 *be able to analyse* the range, structure and application of life and health insurance policies and options to meet financial protection needs including:

- types of policies, features and uses, comparative costs, benefits and disadvantages
- definitions, exclusions, premium calculation factors
- underwriting and claims: issues and processes
- taxation treatment
- group policies
- employment-based income protection

### **Income Protection**

1.2.10 *be able to analyse* the range, structure and application of income protection insurance to meet financial protection needs including:

- types of policies, features and uses, comparative costs, benefits and disadvantages
- definitions, exclusions, premium calculation factors
- underwriting and claims: issues and processes
- taxation treatment

### **Critical Illness Protection**

1.2.11 *be able to analyse* the range, structure and application of critical illness insurance to meet financial protection needs including:

- types of policies, structure, comparative costs, benefits and disadvantages
- market developments for critical illness insurance
- definitions, conditions, exclusions
- terms and amount of cover – factors, assessment
- premium calculation factors

- underwriting and claims: issues and processes
- claims
- taxation treatment, use of trusts
- group policies
- interaction of critical illness insurance and life assurance

### **Long-Term Care Protection**

1.2.12 *be able to analyse* the range, structure and application of long-term care insurance to meet financial protection needs including:

- political environment, social care policy, national factors
- main product types and features
- cost and other factors, options and choices
- available resources, impact and consequences
- immediate needs provision
- long-term care planning process
- legal considerations, power of attorney
- home income plans / equity release

1.2.13 *understand* the regulatory considerations that apply to long-term care insurance:

- affordability, suitability, appropriateness
- Financial Conduct Authority's (FCA's) 'packaged product' / retail investment products regime
- roles of Financial Ombudsman Service and Financial Services Compensation Scheme
- training and competence requirements for long-term care insurance
- provision of pre- and post-sales information
- claims handling rules
- convertible products

## **Insurance-Based Protection**

1.2.14 *be able to analyse* the main features of other insurance-based protection policies:

- personal accident and sickness insurance
- private medical insurance, hospital plans and dental insurance
- payment protection insurance – mortgage, credit

## **1.3 Selecting Appropriate Protection Solutions**

On completion, the candidate should:

1.3.1 *understand* the relevant factors for individuals and business clients when it comes to planning their financial protection requirements:

- risks and constraints
- priorities
- range and suitability of solutions
- consequences of inadequate protection

1.3.2 *be able to evaluate* the current and future needs and priorities for financial protection:

- family and personal protection
- SME business protection needs – business loans, key person, partnership and shareholder protection
- existing arrangements

1.3.3 *be able to evaluate* the relevant factors in selecting appropriate solutions taking account of:

- similar types of products
- client needs
- current and future affordability
- cohabitation, marriage, civil partnership, birth of child
- property purchase

- separation and divorce
- work, going overseas, retirement
- basis of ownership (proposal)
- suitability of trusts
- implications of insurable interest
- advice for small businesses
- importance of regular reviews

## **Element 2 Retirement Planning**

### **2.1 Pension Provision in the Context of Political, Economic, Legal and Social Environment Factors**

On completion, the candidate should:

2.1.1 *be able to evaluate* the social and macroeconomic factors influencing the development of pension policy:

- theory and purpose of pension provision in society
- role of government, policy direction, challenges and proposed reforms
- employer responsibilities, challenges and impact on pension provision
- demographic trends, longevity and ageing population
- financial and economic factors
- incentives, disincentives and attitudes to saving

2.1.2 *understand* the main types and methods of pension provision:

- State Pension benefits
- defined benefit (DB) schemes
- defined contribution (DC) schemes



## 2.2 Pension Scheme Taxation

On completion, the candidate should:

2.2.1 *understand* how registered pension schemes, funds, contributions and benefits are taxed:

- taxation of pension schemes and members
- taxation benefits of pension schemes
- annual allowance, lifetime allowance, special annual allowance and associated charges and relevant transitional reliefs post Finance Act 2006
- funding / contributions to registered pension schemes and tax relief provision

2.2.2 *understand* other pension scheme types and their tax treatment

2.2.3 *understand* benefit crystallisation events

## 2.3 Pensions Law and Regulation

On completion, the candidate should:

2.3.1 *be able to analyse* the aspects of law and regulation relevant to retirement planning:

- employment law relevant to pensions and the rights of older workers
- pensions and divorce
- bankruptcy law and pension assets
- The Pensions Regulator's compliance requirements
- Financial Conduct Authority
- pension protection schemes
- Pensions Ombudsman Service
- The Pensions Advisory Service
- Pension Wise

2.3.2 *be able to interpret* the relevant aspects of pensions law and oversight to:

- trust- and contract-based pensions
- roles and duties of trustees, administrators and professional advisers
- roles and duties of the Investment Governance Committee

2.3.3 *understand* auto-enrolment schemes, employer duties, contributions and workers' opt-in / opt-out

2.3.4 *understand* the pension flexibilities introduced by the Finance Acts 2014/15 and the Pension Schemes Act 2015 and their impact on retirement planning:

- eligibility based on retirement age
- available choices: merits and limitations
- taxation
- fees and expenses

## **2.4 Defined Benefit (DB) and Defined Contribution (DC) Schemes**

On completion, the candidate should:

2.4.1 *understand* the key characteristics of DB pension schemes:

- structure, characteristics, attributes and benefits
- taxation treatment
- main types, variations and hybrids
- rules and operation of DB schemes
- funding methods and issues
- eligibility criteria and top-up options
- roles of trustees and scheme reporting
- employer covenant
- roles of Pension Protection Fund, TPAS and Pensions Ombudsman Service
- funding, valuation and reporting
- certainty of retirement income

- principal risks

2.4.2 *be able to analyse* the options available from DB pension schemes regarding retirement planning for individuals:

- factors to consider and benefits on leaving; early, normal and late retirement
- benefits on ill health and death
- switching issues and considerations
- public sector schemes
- retirement benefits
- leaving benefits
- ill health benefits
- Pension Commencement Lump Sum (PCLS) and interaction with pension income
- death benefits before and after crystallisation

2.4.3 *understand* the key characteristics of DC pension schemes:

- main types of DC schemes and their legal bases, rules and operation – group personal pensions (GPPs) (employer-established), individual pension plans (IPPs) (non-employer-established), stakeholder pensions, self-invested personal pensions (SIPPs)
- tax treatment
- contributions – methods and issues
- accumulation, de-risking and decumulation stages
- types of investments
- funding, fees, valuation and reporting considerations
- the purpose of a default fund and investment choice
- scheme options, limitations and restrictions

2.4.4 *be able to analyse* the options available from DC pension schemes regarding retirement planning for individual customers:

- crystallisation options and impact of decisions – including full and partial crystallisations

- transfer issues and considerations
- stakeholder pensions
- SIPPS and group SIPPS
- death benefits before and after age 75
- ill health
- leaving benefits

## **2.5 State Retirement Benefits**

On completion, the candidate should:

2.5.1 *be able to analyse* the structure, relevance and application of the state schemes in relation to an individual's pension planning:

- basic state retirement benefits
- additional state retirement benefits – historic and current
- reform of state provision
- system of means-tested benefits, Pension Credit, contributory benefits leading to basic State Pension
- single-tier system of means-tested benefits and a contributory benefit single-tier pension
- role of the National Employment Savings Trust (NEST)

## **2.6 Taking a Retirement Income**

On completion, the candidate should:

2.6.1 *be able to evaluate* the different ways of taking benefits:

- reasons for taking or deferring state retirement benefits
- considerations when taking income from a DB scheme
- considerations when taking income from a DC scheme
- choosing an annuity – including deferred, single or joint life, level or escalating, enhanced, guaranteed, temporary

- advantages and disadvantages of different types of annuities
- choosing drawdown or partial / lump sum drawdown
- running down the fund versus leaving the nominal or real value untouched

2.6.2 *be able to analyse* the available options for drawing pension benefits and the factors to consider:

- the role of decumulation and its interaction with mortality, estate planning, taxation and income levels
- suitability of phased retirement
- balancing steady versus flexible income
- ensuring money does not run out before death
- managing fund for yield or total return
- interaction of taking a retirement with taxation

## **2.7 Financial Planning and Advice for Retirement**

On completion, the candidate should:

2.7.1 *be able to analyse* retirement aims and objectives taking account of the following factors:

- availability and prioritisation of savings and investments
- attitude and expectations as regards retirement and working in later life
- assumptions and impact
- conflict with other objectives
- timescales and risk

2.7.2 *be able to evaluate* alternative solutions available for pension income and long-term care requirements:

- alternative sources of capital including non-pension investment assets
- equity release products
- proceeds from sale of a business or property

- inheritance
- buy to let, individual savings accounts (ISAs), unitised securities, alternative investments
- Sharia'a-compliant solutions

2.7.3 *be able to evaluate* the merits, limitations and suitability of investments available to meet stated objectives taking account of:

- when and how retirement may occur
- phased retirement
- projected levels of investment risk and return
- investment strategy and fund selection criteria
- impact of fees and charges
- products and wrappers, critical yield and optimal crystallisation dates
- other sources of non-pension income

2.7.4 *be able to evaluate* a structured and transparent process for developing, implementing, monitoring and reviewing a client's retirement provision over the long term:

- initial planning
- recommendation and implementation
- ongoing management and periodic review
- managing significant changes to the original strategy
- reviewing near, at and beyond the retirement date

2.7.5 *be able to analyse* the options and factors to consider as regards developing a post-retirement investment strategy:

- eligibility for pension liquidation and / or drawdown
- phased retirement options, benefits and risks
- financial provision for care in later life
- timing of decisions and implementation
- provision for dependants

### **Element 3 Financial Planning**

#### **3.1 Financial Planning Fundamentals**

On completion, the candidate should:

3.1.1 *understand* the key purposes of financial planning, and who is involved in the process

3.1.2 *know* the six-step financial planning process as defined by the Financial Planning Standards Board (FPSB):

- establish and define client-planner relationship
- collect client data, including personal and financial objectives, needs and priorities
- analyse and evaluate the client's financial status
- develop and present a financial plan and recommendations
- implement the financial planning recommendations
- review the client's situation

3.1.3 *be able to analyse* the key components of a financial plan to include:

- client objectives
- client attitudes to risk
- financial planning assumptions
- analysis of client's financial situation

- financial planning recommendations
- action plan
- review strategy

### **3.2 Financial Planning Assumptions**

On completion, the candidate should:

- 3.2.1 *understand* the importance of assumptions and their application in the financial planning process
- 3.2.2 *be able to calculate* future values of assets, liabilities, income, expenditure, the cost of goals and objectives in real and nominal terms using assumptions
- 3.2.3 *be able to analyse* the effects that changing assumptions may have on a financial plan

### **3.3 Establishing the Client-Planner Relationship**

On completion, the candidate should:

- 3.3.1 *understand* the scope of the adviser's authorisation including:
  - responsibilities
  - terms of business
  - nature of the advice process
  - ethical codes
  - authorised status and listing on the FCA register
  - limitations on the advice the adviser is authorised to give and circumstances in which client should be referred to a specialist
- 3.3.2 *understand* ethics and codes of practice as they relate to financial planning and financial planners:
  - professional bodies' codes of practice and ethical codes
  - continuing professional development requirements



### **3.4 Collect the Client's Information**

On completion, the candidate should:

3.4.1 *understand* how to apply appropriate techniques to collect client information:

- elicit all relevant personal and financial information essential to the financial planning process
- identify differing client needs, financial objectives and associated timescales
- prioritise real and perceived, present and future needs
- meet the know your customer requirement
- agree investment objectives, growth, income, time horizons
- determine and agree risk profile
- evaluate affordability and other suitability considerations; ethical, social responsibility and religious preferences

3.4.2 *be able to analyse* gaps, errors or inconsistencies in client information, subjective factors or indicators, including:

- use of appropriate skills when questioning information or assumptions
- gaining agreement on any reinterpretation

3.4.3 *be able to evaluate* and respond to the main drivers underpinning the client's financial needs and objectives, by prioritising them in collaboration with the client

### **3.5 Analyse the Client's Financial Status**

On completion, the candidate should:

3.5.1 *identify* the client's current circumstances, including:

- assets and liabilities
- loans and debts
- irregular capital receipts
- any foreseeable changes to their circumstances

3.5.2 *be able to calculate* net worth:

- during lifetime
- on death
- on specific events such as illness, disability or retirement

3.5.3 *be able to calculate* investible capital or excess liabilities

3.5.4 *be able to analyse* income and expenditure as they apply to the financial planning process, including:

- gross and net income receipts and expenditure
- tax and National Insurance
- benefits in kind and other non-cash receipts
- calculation of income and expenditure

3.5.5 *be able to calculate* net spendable income or income shortfall

3.5.6 *understand* the principles and application of cash flow forecasting and time value of money

3.5.7 *be able to analyse* cash flow at key life stages including:

- current
- at retirement
- on ill health
- on death

3.5.8 *understand* how to obtain relevant information from third parties:

- identification of missing information
- where and how to obtain further information

3.5.9 *be able to analyse* gaps in a client's current financial provision and how the client's financial provision could be improved according to agreed priorities:

- liquidity
- income
- growth
- protection

- retirement provision
- attitude to risk
- ethical values

3.5.10 *be able to evaluate* the performance and suitability of the client's existing investments taking into account the client's:

- current financial provision
- objectives
- risk appetite
- capacity for loss
- current and future tax status

### **3.6 Developing and Communicating Financial Planning Recommendations**

On completion, the candidate should:

3.6.1 *understand* how to develop suitable financial plans for action, and explain and justify recommendations:

- make outline recommendations to meet / address client needs, goals, objectives and other issues or problems where appropriate
- draft initial recommendations for the financial plan
- evaluate the advantages and disadvantages of different strategies

3.6.2 *be able to evaluate* whether all recommendations are suited to the client's situation and financial requirements, including:

- appropriateness and relevance of proposed solutions, products and, where applicable, providers
- alternative courses of action where no suitable product is available
- whether they match the client's agreed risk / reward philosophy
- affordability

3.6.3 *be able to analyse* estate planning and its application in the financial planning process:

- the basics of wills and will planning, the events that invalidate wills, deeds of variation and will trusts, laws of intestacy
- powers of attorney including lasting powers of attorney
- the types of trusts available, their taxation and application

3.6.4 *understand* the requirement to appropriately balance the interrelationship between protection, saving and investment, and other objectives such as liquidity and retirement

### **3.7 Implement Financial Planning Recommendations**

On completion, the candidate should:

3.7.1 *know* the requirements for compliant and technically correct processes and documentation in order to implement financial planning recommendations

3.7.2 *know* the documentation that must be provided to the client and when it should be provided, including:

- what should be included in a financial plan
- when and how client acceptance should be addressed
- what should be included in a “suitability” letter

3.7.3 *understand* how the plan and/or recommendations meet the client’s specific needs, in a manner that the client can understand, including:

- explanation of appropriate financial protection products to the client and how they meet client needs
- appropriateness and suitability
- characteristics, correlation, advantages and disadvantages of different products
- economic context of the advice and significance of main economic indicators
- comparison of the different options available
- implications of the different recommendations on other parts of the financial plan

- explanation where a previously agreed action is no longer considered beneficial to the client
- advantages and disadvantages of the proposed recommendations including costs
- how the recommendations take account of future needs
- how the recommendations will be handled, including the need for monitoring and review

3.7.4 *be able to analyse* reasons for not proceeding with a recommendation, and agree with the client how to proceed

### **3.8 Review the Client's Situation**

On completion, the candidate should:

3.8.1 *understand* how the financial plan is to be implemented, serviced and reviewed to meet the client's objectives and adapt to changes in circumstances

3.8.2 *understand* how to conduct financial planning reviews and review meetings, including:

- purpose and frequency of reviews
- process of reviewing a financial plan
- initiating a review meeting and gathering the data required
- what may be discussed at a review meeting

3.8.3 *be able to analyse* actions that may be required after the review, including:

- reassessing and rebalancing asset allocation
- review of existing financial solutions