

## **The Financial Planning Process**

Financial planning consists of six fundamental components – Financial Management, Tax Planning, Asset Management, Risk Management, Retirement Planning and Estate Planning.

With financial planning, none of the above components are ever dealt with entirely in isolation– it is the integration and interdependencies among these components, as well as the need to analyze and synthesize information presented to formulate strategies, which distinguish financial planning from other forms of financial advice or financial intermediation.

Specific product recommendations or sales are not, in and of themselves, financial planning activities. While the process leading up to a specific product recommendation may well involve some financial planning activity, the actual product recommendation clearly falls outside the scope of financial planning.

### **The Six Step Process to Financial Planning**

#### **Establish the Engagement: Define the Terms of the Engagement**

The client and the CERTIFIED FINANCIAL PLANNER<sup>®</sup> professional will define and agree on the scope of the financial planning engagement (“engagement”). Details about each party’s responsibilities, the time frames of the engagement, compensation, and conflicts of interest should be set out in writing in a formal engagement letter or in a *Letter of Understanding*, signed by both parties.

#### **Gather Client Data: Determine the Client's Goals, Needs and Priorities**

The CFP<sup>®</sup> professional will discuss the clients’ financial goals, needs and priorities with them before making and/or implementing any recommendations. The CFP professional will then gather all quantitative and qualitative information relevant to the engagement. Sufficient information should be obtained from the client before making and/or implementing any recommendations.

#### **Analyze the Client’s Financial Information: Analyze the Information with Respect to the Client's Goals, Needs and Priorities**

The CFP professional will then analyze all information to determine the client's financial situation, and evaluate to what extent the client's goals, needs and priorities can be met under the current circumstances.

#### **Develop and Present the Financial Plan: Identify and Evaluate the Financial Planning Strategies**

The CFP professional will identify and evaluate financial planning strategies to achieve the client's stated goals, needs and priorities. The CFP professional will then develop recommendations to achieve the client's stated goals, needs and priorities, and should communicate these recommendations so that the client understands them.



*Building a strong profession today, for tomorrow*

**The Canadian Institute of Financial Planners**


### **Implementation of the Financial Plan: Agree on Implementation Action, Responsibilities and Time Frames**

The client and the CFP professional should agree on implementation action, responsibilities and time frames. The client and the CFP professional will then act to implement the approved recommendations.

### **Review the Financial Plan: Agree on Responsibilities and Time Frames for the Review and Re-Evaluation of the Financial Plan**

The client and the CFP professional should agree on a time frame for monitoring and evaluating the financial plan. The client and the CFP professional will then review the financial plan to assess its progress, to determine if it is still appropriate and to confirm any revisions mutually considered necessary.

If you are looking for a financial planner or would like more information, please contact The Canadian Institute of Financial Planners (CIFPs) at 1-866-933-0233, then press #2 and ask for Robert Jeffrey, or email us at [cifps@cifps.ca](mailto:cifps@cifps.ca)

The CFP does not award the CFP® and CERTIFIED FINANCIAL PLANNER® designation. CFP®, CERTIFIED FINANCIAL PLANNER® and  are certification marks owned outside the U.S. by Financial Planning Standards Board Ltd. (FPSB). Financial Planning Standards Council is the marks licensing authority for the CFP marks in Canada, through agreement with FPSB.