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CHECKLIST

The new PFP standards

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CPAs advising clients in estate, retirement, investment, or risk management planning need to understand the new Statement on Standards in Personal Financial Planning Services that was issued in January and goes into effect on July 1, 2014. The following are some key provisions personal financial planning (PFP) practitioners should note:

✓ **Be aware that all AICPA members must adhere to AICPA standards.** In addition, state boards of accountancy often adopt AICPA standards, giving them the force and effect of law. Therefore, even CPAs who are not AICPA members need to be aware of the AICPA standards that their state board of accountancy has adopted.

✓ **Understand that the statement applies to the individual, not the firm.** The statement applies to employees in the firm who provide PFP services.

✓ **Recognize that the foundation of the statement begins with the AICPA Code of Professional Conduct (the code).** The hallmark of the code is to perform services with competency, objectivity, and integrity. The statement expands on these basic principles and provides direction for the delivery of PFP services in a way that is consistent with the code.

✓ **Understand that courts will likely hold members to the fiduciary standard of conduct when performing PFP services.** The statement provides CPAs with a road map to help ensure this standard of care is met. Generally, if the following three elements are present in a client relationship, a member may be deemed to be a fiduciary to his or her client: (1) The member holds himself or herself out as an expert in an aspect of business; (2) the client places a high degree of trust and confidence in the member; and (3) the client is heavily dependent upon the member's advice. The code embodies standards of conduct that are analogous to the fiduciary standard of behavior.

✓ **Use the statement as a road map to help ensure that you and others in your firm are complying with professional responsibilities when providing PFP services.** The statement provides a framework within which professional judgments and relationships can be conducted. Adhering to the statement helps to protect your clients and your business.

✓ **Gain clear guidance in key areas fundamental to the delivery of PFP services.** The statement addresses the areas of communication, disclosures, and documentation as they relate to the basics of planning the engagement, developing recommendations, and working with, and recommending, other professionals. This ensures that the client receives the information he or she needs to make good decisions and that the member is meeting the minimum standards of behavior expected of a trusted adviser. It also provides a clear path for members to implement and deliver the level of planning services that clients need today.

✓ **Read the statement to gain a thorough understanding of when it applies and what it requires.** The

AICPA has created tools to help PFP practitioners understand and comply with the rules. (The statement and the tools are available at aicpa.org/sspfps. Also see, "Official Releases," page 78, for the complete statement.) The statement is intended to provide authoritative guidance and establish enforceable standards for members practicing in PFP services. Questions about the new rules can be directed to the AICPA PFP Division staff at financialplanning@aicpa.org.

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