CFP® Exam | Exam Prep Review



JULY 2026–MARCH 2027

Summary of Commonly Tested Topics

COLLEGE FOR FINANCIAL PLANNING®
A KAPLAN COMPANY

2026

Summary of Commonly Tested Topics



COLLEGE FOR FINANCIAL PLANNING®

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At press time, this edition contains the most complete and accurate information currently available. Due to the nature of advanced designation examinations, however, information may have been added recently to the actual test that does not appear in this edition. Please contact the publisher to verify that you have the most current edition.

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COLLEGE FOR FINANCIAL PLANNING REVIEW FOR THE CFP® CERTIFICATION EXAMINATION SUMMARY OF COMMONLY TESTABLE TOPICS 2026
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Possible Things to Memorize for CFP® Certification Examination

Listed below are things students have found beneficial to have memorized (or very familiar with) prior to taking the exam. This list is not all inclusive and should only be used as a supplement to your learning plan.

General Financial Planning Principles

- Code of Ethics and Standards of Practice
- The Financial Planning Process
- Time Value of Money Calculations
- Education Funding Calculation
- Education funding chart
- EE/HH/I Bond characteristics and differences between them
- Common cognitive and emotional biases
- Sources of money conflict

Insurance Planning

- COBRA (coverage periods for qualifying events)
- HO Coinsurance formula
- Exceptions to transfer-for-value rule

Investment Planning

- Intrinsic value of call/put option
- Option premium = intrinsic value + time premium
- Margin call formulas: price at which it occurs and how much cash to add to account when it occurs
- Exam formula sheet (identification of all formulas and variables)

Tax Planning

- Items included in/excluded from gross income
- Deductions for AGI ("above the line")
- Deductions from AGI (itemized deductions)—"below the line"
- Misc. itemized deductions
- Charitable contribution chart (% of AGI ceilings)
- Sec. 1231/1245/1250 tax treatment
- Installment sale tax treatment
- Imputed interest rules
- Definitions of: ordinary asset/1231 asset/capital asset
- Holding periods for property: inherited/gifted/like-kind exchange
- Like-kind exchanges: calculation of realized gain/recognized gain/deferred gain/basis in new property
- Rental property: definitions/tax treatment/rules for deducting rental losses in excess of rental income (rental use/mixed use/personal use property)
- Definition of material participation

- Definition of dependent
- Add-back items (positive adjustments/tax-preference items) for AMT
- Sec. 1202/1244 stock tax treatment

Retirement Planning

- Retirement funding calculation
- Features/characteristics of all retirement plans
- NUA tax treatment
- Distribution options for retirement plans when decedent dies before/after required beginning date for minimum distributions
- Allowable loan limits from qualified plan
- Definitions of: highly compensated/key employee
- Definition/requirements for top-heavy plan
- Vesting schedules for DB/DC/top-heavy plans
- ACP/ADP testing and how to correct ACP/ADP failure
- Early distribution penalty exceptions for qualified plans/IRAs
- Integration w/Social Security for DC plans
- Retirement plans that can't integrate with Social Security
- SEPs vs. SIMPLEs (contribution limits/max. contributions/# of EEs allowed/EE eligibility/early withdrawal penalties)
- ISO/NQSO tax treatment
- Social Security eligibility chart
- Taxation of Social Security benefits (definition of provisional income and effects of thresholds)
- Reduction of Social Security benefits based on employment income

Estate Planning

- For each type of property ownership: rules for inclusion in gross estate/probate estate; who inherits property; basis in property after death
- Items included in probate estate
- Items included in gross estate
- Calculations of gross estate; adjusted gross estate; taxable estate; and tentative tax base
- Sec. 2032A (special use valuation)/303 (stock redemption election)/6166 (installment payment of estate taxes) rules (no need to memorize code section)
- Exceptions to terminable interest rule for marital deduction
- Features and characteristics of following trusts: CRAT/CRUT/GRAT/GRUT/QPRT/GPOA ("A")/ Credit Shelter ("B")/QTIP("C")
- 2503(b)/2503(c)/Crummey Trusts: income distributed? access by minor? how taxed?



CFP® Exam Principal Knowledge Domains and CFP® Exam Principal Knowledge Topics

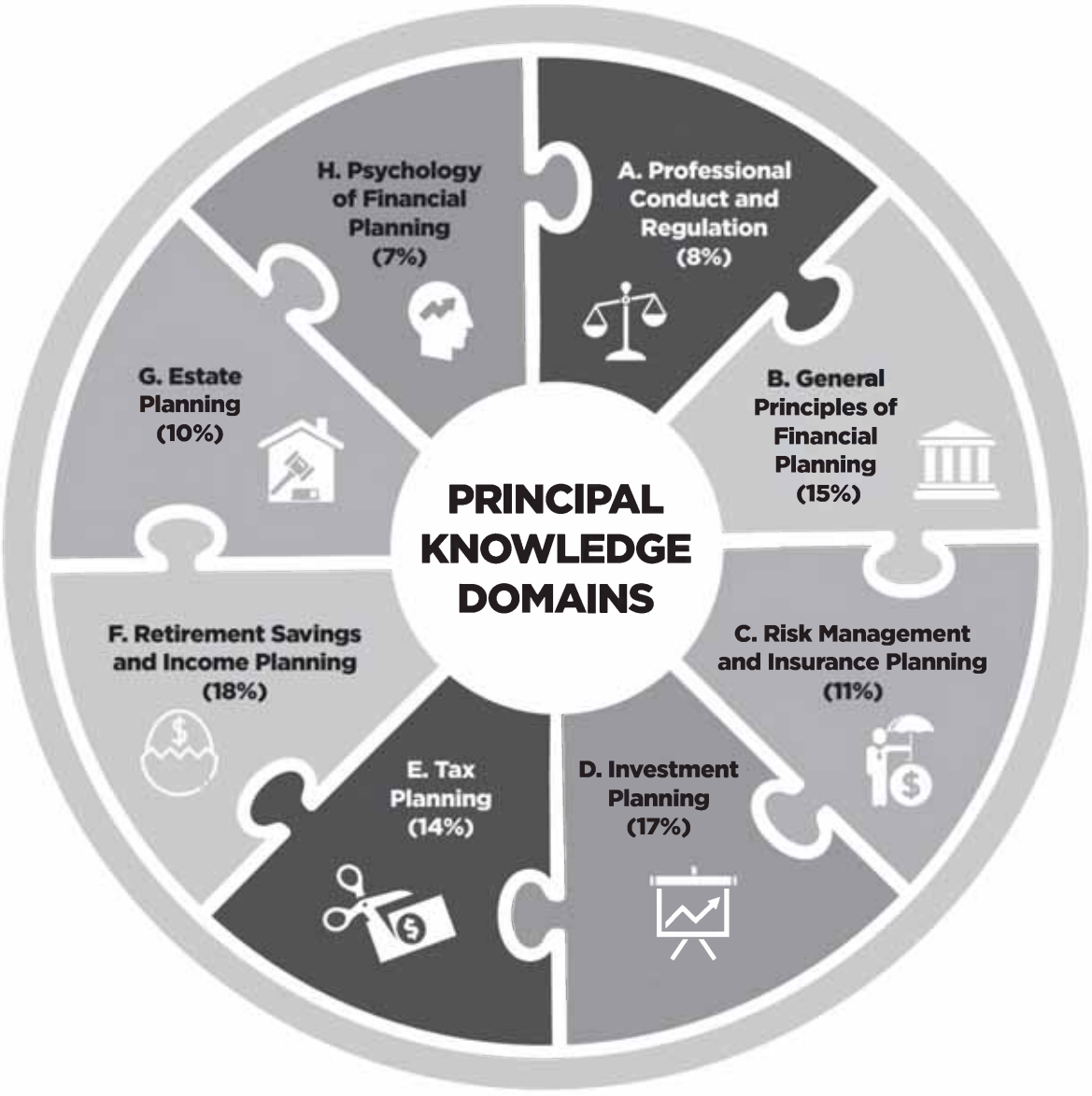
2021 PRINCIPAL KNOWLEDGE TOPICS (70)

The following Principal Knowledge Topics are based on the results of CFP Board's 2021 Practice Analysis Study.

The Principal Knowledge Domains will serve as the blueprint for the March 2023 CFP® Certification Examination and subsequent administrations of the exam. Each exam question will be linked to one of the following Principal Knowledge Topics, in the approximate percentages indicated following the domain headings.

The Principal Knowledge Topics also serve as a curricular framework for CFP Board's education coursework requirement and the topics CFP Board accepts for continuing education credit.

EIGHT PRINCIPAL KNOWLEDGE DOMAINS



2021 PRINCIPAL KNOWLEDGE TOPICS

A. PROFESSIONAL CONDUCT AND REGULATION



A.1 CFP Board's Code of Ethics and Standards of Conduct

A.2 CFP Board's Procedural Rules

A.3 Function, purpose, and general structure of financial institutions

A.4 Financial services regulations and requirements

A.5 Consumer protection laws

A.6 Fiduciary standard and application

B. GENERAL PRINCIPLES OF FINANCIAL PLANNING



B.7 Financial planning process

B.8 Financial statements

B.9 Cash flow management

B.10 Financing strategies and debt management

B.11 Economic concepts

B.12 Time value of money concepts and calculations

B.13 Education needs analysis

B.14 Education savings vehicles

B.15 Education funding

B.16 Gift/income tax strategies

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C. RISK MANAGEMENT AND INSURANCE PLANNING

C.17 Principles of risk and insurance

C.18 Analysis and evaluation of risk exposures

C.19 Health insurance and health care cost management (individual and group)

C.20 Disability income insurance (individual and group)

C.21 Long-term care insurance and long-term case planning (individual and group)

C.22 Qualified and Non-Qualified Annuities

C.23 Life insurance (individual and group)

C.24 Business owner insurance solutions

C.25 Insurance needs analysis

C.26 Insurance policy and company selection

D. INVESTMENT PLANNING

D.27 Characteristics, uses and taxation of investment vehicles

D.28 Types of investment risk

D.29 Market cycles

D.30 Quantitative investment concepts and measures of investment returns

D.31 Asset allocation and portfolio diversification

D.32 Bond and stock valuation concepts

D.33 Portfolio development and analysis

D.34 Investment strategies

D.35 Alternative investments and liquidity risk

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E. TAX PLANNING

E.36 Fundamental and current tax law

E.37 Income tax fundamentals and calculations

E.38 Characteristics and income taxation of business entities

E.39 Income taxation of trusts and estates

E.40 Tax reduction/management techniques

E.41 Tax consequences of property transactions

E.42 Tax implications of special circumstances

E.43 Charitable/philanthropic contributions and deductions

F. RETIREMENT SAVINGS AND INCOME PLANNING

F.44 Retirement needs analysis

F.45 Social Security and Medicare planning

F.46 Eldercare and special needs planning

F.47 Types of retirement plans

F.48 Qualified plan rules and options

F.49 Non-qualified plan rules and options

F.50 Key factors affecting plan selection for businesses

F.51 Distribution rules and taxation

F.52 Retirement income and distribution strategies

F.53 Business succession planning

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G. ESTATE PLANNING

G.54 Property titling and beneficiary designations

G.55 Strategies to transfer property

G.56 Estate and incapacity planning documents

G.57 Gift, estate, and GST tax compliance and calculation

G.58 Sources for estate liquidity

G.59 Types, features, and taxation of trusts

G.60 Marital deduction

G.61 Intra-family and other business transfer techniques

G.62 Postmortem estate planning techniques

G.63 Planning for divorce, unmarried couples and other special circumstances

G.64 Planning for special needs and circumstances

H. PSYCHOLOGY OF FINANCIAL PLANNING

H.65 Client and planner attitudes, values, biases

H.66 Behavioral finance

H.67 Sources of money conflict

H.68 Principles of counseling

H.69 General principles of effective communication

H.70 Crisis events with severe consequences

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For updates and information regarding the CFP® Certification Examination, your exam registration, exam application deadlines, etc., please refer to CFP Board's website at:

www.cfp.net

For updates to Kaplan study materials (e.g., legislative changes, inflation-adjusted tax rate summaries, corrections, etc.), please refer to the "E" icon on your Exam Prep Review dashboard.

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FORMULA PAGE PROVIDED ON THE CFP® CERTIFICATION EXAMINATION

(The formula sheet below was current at press time. Please refer to https://www.cfp.net/get-certified/certification-process/exam-requirement/cfp-exam-preparation/exam-prep-resources/tax-tables-and-formulas for any subsequent updates to the formula sheet.)
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CFP BOARD

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

Provided Formulas

These formulas are available to exam candidates when taking the CFP® Certification Examination:

$$V = \frac{D_1}{r-g}$$

$$r = \frac{D_1}{P} + g$$

$$COV_{ij} = \rho_{ij}\sigma_i\sigma_j$$

$$\sigma_p = \sqrt{W_i^2\sigma_i^2 + W_j^2\sigma_j^2 + 2W_iW_jCOV_{ij}}$$

$$\beta_i = \frac{COV_{im}}{\sigma_m^2} = \frac{\rho_{im}\sigma_i}{\sigma_m}$$

$$\sigma_r = \sqrt{\frac{\sum_{t=1}^{n}(r_t - \bar{r})^2}{n}}$$

$$S_r = \sqrt{\frac{\sum_{t=1}^{n}(r_t - \bar{r})^2}{n-1}}$$

$$r_i = r_f + (r_m - r_f)\beta_i$$

$$\alpha_p = \overline{r_p} - \left[\overline{r_f} + \left(\overline{r_m} - \overline{r_f}\right)\beta_p\right]$$

$$T_p = \frac{\overline{r_p} - \overline{r_f}}{\beta_p}$$

$$D = \frac{1+y}{y} - \frac{(1+y)+t(c-y)}{c\left[(1+y)^t - 1\right]+y}$$

$$\frac{\Delta P}{P} = -D\left[\frac{\Delta y}{1+y}\right]$$

$$IR = \frac{R_P - R_B}{\sigma_A}$$

$$EAR = (1 + \frac{i}{n})^n - 1$$

$$\text{TEY} = r/(1\text{-}t)$$

$$AM = \frac{a_1+a_2+a_3+\cdots+a_n}{n}$$

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Provided Formulas (cont.)

$$S_p = \frac{\overline{r_p} - \overline{r_f}}{\sigma_p}$$

$$\sqrt[n]{(1 + r_1) \times (1 + r_2) \times \ldots (1 + r_n)} - 1$$

$${}_1R_N = [(1+{}_1R_1)\,(1+E({}_2r_1))\ldots(1+E({}_N r_1))]^{1/N} - 1$$

$$HPR = [(1+r_1) \text{ x } (1+r_2) \text{ x } \ldots(1+r_n)] - 1$$

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General Financial Planning Principles, Professional Conduct, and Regulation

General Financial Planning Principles, Professional Conduct, and Regulation

I. CFP BOARD'S CODE OF ETHICS AND STANDARDS OF CONDUCT

1. The CFP Board's *Code of Ethics and Standards of Conduct* (*Code and Standards*) define the expected level of professional conduct and practice for CFP® certificants.
   a. A CFP® certificant, or CFP® professional, is an individual that has passed the CFP® Exam and fulfilled the Education, Experience, and Ethics requirements set by CFP Board.
2. A CFP® professional has a duty to act in accordance with the guidelines expressed in the *Code and Standards*.
3. CFP® certificants against whom allegations of *Code and Standards* violations and/or non-compliance are brought are subject to potential action from the CFP Board's Disciplinary and Ethics Commission (DEC).
   a. The DEC is responsible for investigating, reviewing, and considering recommendations and issuing a final decisions in these instances.

Please read and understand the CFP Board *Code of Ethics and Standards of Conduct*. https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/cfp-code-and-standards.pdf?la=en&hash=AFC0087B53EDE26B2A478BD84DF7DDA3

CFP Board capitalizes terms of particular importance. Definitions of key capitalized words can be found in the Glossary of the *Code and Standards*.

A. CODE OF ETHICS [FP511, LO 5.1.1, LO 5.1.2, LO 5.1.3, & LO 5.1.4]

1. The CFP Board's *Code of Ethics* is comprised of six principles, requiring CFP® professionals to do the following.
   a. Act with honesty, integrity, competence, and diligence.
   b. Act in the client's best interests.
   c. Exercise due care.
   d. Avoid or disclose and manage conflicts of interest.
   e. Maintain the confidentiality and protect the privacy of client information.
   f. Act in a manner that reflects positively on the financial planning profession and CFP® certification.

B. STANDARDS OF CONDUCT [FP511, LO 5.1.3, LO 5.1.4, LO 5.2.1, & LO 5.2.2]

1. The *Standards of Conduct* (*Standards*) articulate professional duties that CFP® professionals must uphold.
2. The *Standards* outline obligations between financial planners and current clients, prospective clients, employers, and CFP Board, regarding information, property, disclosure, and the defining of relationships.
3. The *Standards* is comprised of six sections:
   a. Duties Owed to Clients
   b. Financial Planning and Application of the Practice Standards for the Financial Planning Process
   c. Practice Standards for the Financial Planning Process
   d. Duties Owed to Firms and Subordinates
   e. Duties Owed to CFP Board
   f. Prohibition on Circumvention

Note: For exam purposes, it is very important to understand the Fiduciary Duty.

SECTION 1 - Duties Owed to Clients

a. This section identifies 15 duties that financial planners owe to clients.

1) Fiduciary Duty (Standard A.1)

The *Code and Standards* specify that "at all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and, therefore, act in the best interests of the Client." To uphold the fiduciary standard, the CFP® professional is required to fulfill the following three duties:

A) *Duty of Loyalty.* Involves placing the client's interests ahead of the CFP® professional, the CFP® professional's Firm, or any other entity. Includes avoiding or fully disclosing, obtaining informed consent, and managing Material Conflicts of Interest.

B) *Duty of Care.* The CFP® professional must engage the client with care, skill, prudence, and diligence. Fulfillment of this duty requires consideration of the Client's goals, risk tolerance, objectives, and circumstances.

C) *Duty to Follow Client Instructions*. CFP® professionals are obligated to adhere to the Terms of the Engagement and must follow '*reasonable and lawful*' Client instructions.

Notice that the Fiduciary Duty only applies when the professional is providing financial advice. Be sure to understand the definition of financial advice (see Roadmap to the Code of Ethics and Standards of Conduct, Page 6).

The financial planner must uphold the fiduciary standard specified in the *Code and Standards* when providing financial advice to a client or engaged in financial planning for a client.

2) Integrity (Standard A.2)

3) Competence (Standard A.3)

Regarding Material Conflicts of Interest, a CFP® professional must provide professional services with competence, which means with relevant knowledge and skill to apply that knowledge. When the CFP® professional is not sufficiently competent in a particular area to provide the Professional Services, the CFP® professional must gain competence, obtain the assistance of a competent professional, limit or terminate the Engagement, and/or refer the Client to a competent professional.

4) Diligence (Standard A.4)

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5) Disclose and Manage Conflicts of Interest (Standard A.5)

   Regarding Material Conflicts of Interest, a CFP® professional must:

   A) avoid, or

   B) Fully Disclose (by providing sufficiently specific facts, obtain informed consent, and manage the conflict.

   Material Conflicts of Interest that could affect the professional relationship must be disclosed to the Client. A Material Conflict of Interest must be disclosed even if the CFP® professional believes he or she is acting in the best interest of the Client.

6) Sound and Objective Professional Judgement (Standard A.6)

7) Professionalism (Standard A.7)

8) Comply With the Law (Standard A.8)

9) Confidentiality and Privacy (Standard A.9)

   CFP® professionals are required to uphold client confidentiality and privacy. There are two exceptions:

   A) Information used for ordinary business purposes (e.g., personal information necessary for an estate planning attorney to draft a will)

   B) Information transferred for legal and compliance purposes (e.g., subpoenas)

10) Provide Information to a Client (Standard A.10)

11) Duties When Communicating With a Client (Standard A.11)

12) Duties When Representing Compensation Method (Standard A.12)

13) Duties When Recommending, Engaging, and Working With Additional Persons (Standard A.13)

    This standard outlines requirements for CFP® professionals who recommend, engage, and work with additional persons.

    When engaging or recommending another professional, a CFP® professional must:

    A) have a reasonable basis for the recommendation or Engagement based on the other professional's reputation, experience, and qualifications; and

    B) disclose any arrangement by which someone other than the client will compensate the CFP® professional, the CFP® Professional's Firm, or a Related Party for the Engagement or recommendation.

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For Engagements, the CFP® professional must take reasonable steps to protect the Client's interests.

When working with another professional on a Client's behalf, the CFP® professional must:

A) communicate with the other professional about the services each will provide and their respective responsibilities; and

B) inform the client in a timely manner if the other professional did not perform the services in accordance with the scope of services to be provided and the allocation of responsibilities.

14) Duties When Selecting, Using, and Recommending Technology (Standard A.14)

A CFP® certificant must:

A) have a reasonable basis for believing the technology produces reliable, objective, and appropriate outcomes;

B) exercise reasonable care and judgment when selecting, using, or recommending technology; and

C) have a reasonable level of understanding of technology's assumptions and outcomes.

15) Refrain From Borrowing or Lending Money and Commingling Financial Assets (Standard A.15)

CFP® professionals must refrain from borrowing or lending money. Commingling of financial assets is prohibited. Borrowing and lending is allowed if the client is a family member or if the lender is an organization or entity in the business of lending money. This standard explicitly prohibits indirect borrowing.

SECTION 2 - Financial Planning and Application of the Practice Standards for the Financial Planning Process

Please review the CFP Board Compliance Resources (https://www.cfp.net/ethics/compliance-resources) to learn how the Code and Standards applies in real world situations.

a. The CFP Board's definition of financial planning and the guidelines for determining when financial planning is required is described in this section.

1.) Financial planning is defined in the *Code & Standards* as "a collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances."

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2.) In addition to presenting the CFP Board's definition of financial planning, the guidelines for determining when financial planning is required is described in the Financial Planning and Application of the Practice Standards for the Financial Planning Process section.

b. Relevant Elements

1.) The relevant elements of financial planning are incorporated into the financial planning process when financial planning takes place. The greater the number of relevant elements addressed by the professional, the more likely the work performed by the professional will be considered financial planning.

2.) According to the *Code & Standards*, relevant elements can include:

A) developing Client goals;

B) managing assets and liabilities;

C) managing cash flow;

D) identifying and managing risks;

E) identifying and managing the financial effect of health considerations;

F) providing for educational needs;

G) achieving financial security;

H) preserving or increasing wealth;

I) identifying tax considerations;

J) preparing for retirement;

K) pursuing philanthropic interests; and

L) addressing estate and legacy matters.

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SECTION 3 - Practice Standards for the Financial Planning Process

a. There are seven steps in the CFP Board's *Practice Standards*.

CFP Board Practice Standards for the Financial Planning Process
1. Understanding the Client's Personal and Financial Circumstances
2. Identifying and Selecting Goals
3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action
4. Developing the Financial Planning Recommendation(s)
5. Presenting the Financial Planning Recommendation(s)
6. Implementing the Financial Planning Recommendation(s)
7. Monitoring Progress and Updating

1.) Step 1. Understanding the Client's Personal and Financial Circumstances

A) Obtaining qualitative and quantitative information.

B) Analyzing information.

C) Addressing incomplete information.

2.) Step 2. Identifying and Selecting Goals

A) Identifying potential goals.

B) Selecting and prioritizing goals.

This is a collaboration with the client to identify, select, and prioritize goals.

Any goals the client has selected that the CFP® professional believes are not realistic must be discussed.

3.) Step 3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action

A) Analyzing current course of action.

B) Analyzing potential alternative courses of action.

4.) Step 4. Developing the Financial Planning Recommendation(s)

A CFP® professional develops one or more recommendations designed to maximize the potential for meeting the client's goals, needs, and priorities.

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5.) Step 5. Presenting the Financial Planning Recommendation(s)

CFP® professionals must exercise professional judgment in determining how best to present recommendations to clients.

6.) Step 6: Implementing the Financial Planning Recommendation(s)

A CFP® professional must specify who will be responsible for implementation.

The CFP® professional must communicate to the client:

1. the basis for selecting an action, product, or service;
2. the timing and priority of implementing the action, product, or service; and
3. any Conflicts of Interest concerning the action, product, or service.

The CFP® professional must discuss with the client any selection that deviates from the actions, products, and services the CFP® professional recommended. This step is to make the client aware of any decisions that deviate from the CFP® professional's advice.

7.) Step 7: Monitoring Progress and Updating

Step 7 occurs throughout the client-planner relationship. For existing client relationships, this step may occur over many years, or even decades. *Practice Standards* Step 7 requires a CFP® professional to:

A) address monitoring and updating responsibilities (including communicating very specific information to the client concerning the scope of the respective responsibilities),

B) monitor the client's progress,

C) obtain current qualitative and quantitative information, and

D) update goals, recommendations, or implementation decisions.

Monitoring progress requires a CFP® professional to analyze, at appropriate intervals, the progress toward achieving the client's goals. The CFP® professional must review with the client the results of the CFP® professional's analysis.

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Question:

1. A young, single client approaches a CFP® professional with $5,000 stating that he would like to develop a financial plan and invest in the market. This is his first experience investing and he would like help choosing an appropriate account. What is the CFP® professional's most appropriate course of action?

A. Open a margin account.
B. Open and fund a Roth IRA for the current year.
C. Determine whether the client has any consumer debt.
D. Determine whether the client has adequate life insurance.

Question:

2. Sam, a CFP® professional, recently completed a series of meetings with his new clients, Tim and Sally, both age 60. Sam has written and delivered a comprehensive financial plan for the couple, communicating several recommendations including a direct transfer and repositioning of Sally's traditional IRA, a Section 1031 exchange of a rental property, and a referral to an estate planning attorney to create an irrevocable life insurance trust (ILIT) to own a substantial second-to-die life insurance policy insuring Tim and Sally. Their eldest daughter, Carol, age 38, is to be the trustee of the ILIT. Tim and Sally want an ILIT so there will be no chance the insurance proceeds will be includable in their estate. Sam just received an email from Tim and Sally agreeing with all of his recommendations and advising Sam to begin the implementation process. Which of the following should Sam do next as part of the implementation process?

A. Draft the irrevocable life insurance trust for approval.
B. Submit the second-to-die life insurance policy application now so the policy can be issued while the trust is being created.
C. Create a prioritized implementation plan with a timeline and define monitoring responsibilities with Tim and Sally.
D. Send a copy of the comprehensive financial plan to Carol as trustee of the ILIT.

Question:

3. During an annual review with Anna and Lawrence Harvey, a CFP® professional discusses their retirement objectives. Because of weak market performance over the past few years, it appears that they are no longer on track for retirement. How should the CFP® professional best direct discussion of this situation?

A. Tell the Harveys that they must increase their monthly savings.
B. Recommend no changes since the market is likely to recover in the long term.
C. Discuss alternatives currently available to increase their likelihood of success.
D. Suggest that they postpone their retirement date until the economy recovers.

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SECTION 4 - Duties Owed to Firms and Subordinates

a. Use Reasonable Care When Supervising.

b. Comply with Lawful Objectives of CFP® Professional's Firm.

c. Provide Notice of any Public Discipline enacted by the CFP Board.

SECTION 5 - Duties Owed to CFP Board

a. Avoid any adverse conduct.

b. Report incidents involving adverse conduct to the CFP Board within 30 days.

c. Provide a narrative statement to the CFP Board on reportable matters.

d. Cooperation with CFP Board throughout investigations and disciplinary proceedings.

e. Compliance with the *Terms and Conditions of Certification and License*.

SECTION 6 - Prohibition on Circumvention

a. CFP® certificants are prohibited from using a third party to conduct business that violates the *Code and Standards*.

C. WHAT IS FINANCIAL ADVICE, AND WHY IS IT IMPORTANT TO IDENTIFY SITUATIONS WHERE THE PROFESSIONAL IS PROVIDING FINANCIAL ADVICE?

What is Financial Advice? It is (a) a communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action, or (b) the exercise of discretionary authority over the financial assets of a client.

What is NOT Financial Advice? (a) A communication that, based on its content, context, and presentation, would not reasonably be viewed as a recommendation; (b) responses to directed orders; and (c) the following, if a reasonable CFP® professional would not view it as Financial Advice:

- Marketing Materials;
- General Financial Education; and
- General Financial Communications.

NOTE: The more individually tailored the communication is to the client, the more likely the communication will be viewed as Financial Advice.

Why is it important to be able to identify situations where the professional is providing financial advice?

1. The CFP® professional will have a fiduciary duty to the client when providing Financial Advice.
2. Additional disclosures and responsibilities are required when the CFP® professional is providing Financial Advice (See *Roadmap to the Code of Ethics and Standards of Conduct, page 9*).

Question:

4. CFP® professional Maria is meeting with a new prospective client, Ben. During their introductory meeting, Ben asks Maria, "In general, what's the difference between a Roth IRA and a Traditional IRA?" Maria responds by explaining the general tax treatment and contribution limits for both types of accounts, providing only factual, descriptive information about the IRS rules. She does not recommend one over the other, nor does she discuss Ben's personal financial situation or goals. Under the CFP Board's Code and Standards, which standard of care is Maria required to meet for this specific communication?

A. The Fiduciary Duty, because the communication involves investment vehicles
B. The Suitability Standard, as she is discussing financial products
C. The standard of no duty of care, because it is not considered Financial Advice or Financial Planning
D. The duty to act in good faith and with reasonable care

D. DISCIPLINARY RULES AND PROCEDURES [FP511, LO 5.2.2]

1. Describe the procedures followed by CFP Board in enforcing the *Code and Standards*.
2. Reflect the process for applying the *Code of Ethics* to actual professional activities.
3. Notable sections
    a. Forms of Discipline (Article 4)
        i. Private Censure
            A) Unpublished written reproach mailed by the Disciplinary and Ethics Commission (DEC) to a censured Respondent
        ii. Public Letter of Admonition
            A) Publishable written reproach of the Respondent's behavior
        iii. Suspension
            A) For those Respondents who the DEC deems can be rehabilitated
            B) For a specified period of time, not to exceed five years
            C) Notice of suspension is published together with identification of Respondents in a press release, or in such other form of publicity as is selected by the DEC
            D) Depending on mitigating circumstances, public notification may be withheld by the DEC
            E) Respondents may qualify for reinstatement to use the CFP® marks
        iv. Revocation
            A) Right to use CFP® marks is permanently revoked
            B) Notice of revocation is published together with identification of Respondents in a press release, or in such other form of publicity as is selected by the DEC
            C) Depending on mitigating circumstances, public notification may be withheld by the DEC

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b. Disciplinary process
   i. Establishment of grounds for discipline
   ii. Interim suspension status, if necessary
   iii. Investigation
   iv. Complaint – answer – default
   v. Discovery and evidence
   vi. Hearings
   vii. Report, findings of fact, and recommendation
   viii. Appeals
   ix. Conviction of a crime or professional suspension
   x. Settlement procedure
   xi. Required action after revocation or suspension
   xii. Reinstatement after discipline

Question:

5. Due to a failure to uphold the fiduciary duties owed to clients (Standard A.1) outlined in the *Code and Standards*, an experienced CFP® professional received a suspension of the right to use the CFP® marks for 4 years. From the following list, identify the accurate statements about suspension issued by the Disciplinary and Ethics Commission (DEC).

1. Suspensions usually are kept private.
2. Any suspension period greater than 1 year requires a petition to be reinstated.
3. Suspensions are used with certificants the Board deems can be rehabilitated.
4. Suspensions may be for any period.

A. 1 and 4
B. 1, 2, and 3
C. 2 and 3
D. 2 and 4

E. FITNESS STANDARDS [FP511, LO 5.2.1 & 5.2.2]

1. Ensures conduct does not reflect adversely on:
   a. fitness as a candidate for CFP® certification, or
   b. upon the profession or CFP® certification marks.
2. Also applies to Professionals Eligible for Reinstatement (PER).
3. The following conduct is *unacceptable* and will *always* bar an individual from becoming certified:
   a. Felony conviction for theft, embezzlement or other financially-based crimes
   b. Felony conviction for tax fraud or other tax-related crimes
   c. Revocation of a financial (e.g., registered securities representative, broker-dealer, insurance, accountant, investment adviser, financial planner) professional license, unless the revocation is administrative in nature (i.e., the result of the individual determining not to renew the license by not paying the required fees)

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d. Felony conviction for any degree of murder or rape

e. Felony conviction for any other violent crime within the last five years

4. The following conduct is *presumed* to be *unacceptable* and will bar an individual from becoming certified unless the individual petitions the Disciplinary and Ethics Commission for reconsideration:

a. Two or more personal or business bankruptcies

b. Revocation or suspension of a nonfinancial professional (e.g., real estate, attorney) license, unless the revocation is administrative in nature (i.e., the result of the individual determining not to renew the license by not paying the required fees)

c. Suspension of a financial professional (e.g., registered securities representative, broker-dealer, insurance, accountant, investment adviser, financial planner) license, unless the suspension is administrative in nature (i.e., the result of the individual determining not to renew the license by not paying the required fees)

d. Felony conviction for nonviolent crimes (including perjury) within the last five years

e. Felony conviction for violent crimes other than murder or rape that occurred more than five years ago

F. USE OF CFP CERTIFICATION MARKS [FP511, 1.2.1]

1. The CFP® mark must appear in all capital letters and without periods between the letters

2. The CFP® mark must be followed by one of the following six approved nouns, except when the mark immediately follows a certificant's name:

• professional • practitioner • certificant • certification • mark • exam

3. The CFP® mark may not be used as a plural or possessive word

4. The CERTIFIED FINANCIAL PLANNER® mark must always appear in all capital letters, or some type of "small cap" font. (This is a font that displays all letters of the word capitalized but makes the first letters of each word slightly bigger.)

5. The CERTIFIED FINANCIAL PLANNER® mark cannot be used as a plural or possessive word

6. Examples of other taglines and CFP® mark artwork can be found in CFP Board's "How to Use The CFP® Marks"

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II. PERSONAL FINANCIAL STATEMENTS

A. Statement of Financial Position [FP511, LO 3.1.1]

Key areas of focus on the statement of financial position:

1. Assets listed at fair market value (FMV); liabilities listed at principal value
2. Statement date
3. Net worth (assets – liabilities)
4. Footnotes
5. Property titling (e.g., JTWROS) Account ownership should be identified by using titles other than husband and wife. Here, the first initial of each spouse is used.
6. Stage in the Life Cycle

Nicholas and Ashley Smith
Statement of Financial Position
As of December 31, 20xx

ASSETS[1]		LIABILITIES AND NET WORTH[2]	
Cash/Cash Equivalents		**Liabilities**	
JT Money market deposit account	$40,000	Current:	
		N Bank credit card 1	$5,000
Total cash/cash equivalents	$40,000	A Bank credit card 2	7,000
		A Bank credit card 3	8,000
Invested Assets		N Auto note balance	10,000
A Publications, Inc.	$300,000	A Auto note balance	10,000
A Bakery	100,000	Current liabilities	$40,000
A Investment portfolio	90,000		
N Single premium deferred annuity	110,000	Long-term:	
N Traditional IRA	200,000	Mortgage—primary residence	$150,000
N Defined benefit plan (Vested balance)	400,000	Mortgage—vacation home	120,000
Total invested assets	$1,200,000	Long-term liabilities	$270,000
Personal Use Assets		**Total liabilities**	$310,000
JT Primary residence	$300,000		
JT Vacation home	180,000	**Net Worth**	$1,552,000
JT Personal property & furniture	100,000		
N Auto	20,000		
A Auto	22,000		
Total personal use assets	$622,000		
Total Assets	**$1,862,000**	**Total Liabilities & Net Worth**	**$1,862,000**

Notes to financial statements:
[1] Assets are stated at fair market value.
[2] Liabilities are stated at principal only.

Titling
N = Nicholas sole ownership
A = Ashley sole ownership
JT = Joint tenancy with right of survivorship