



# PRACTICE STANDARDS 200

Financial Planning Practice Standards Overview

100 Series: Establishing and Defining the Relationship with the Client

**200 Series: Gathering Client Data**

300 Series: Analyzing and Evaluating the Client's Financial Status

400 Series: Developing and Presenting the Financial Planning Recommendation

500 Series: Implementing the Financial Planning Recommendation(s)

600 Series: Monitoring

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## GATHERING CLIENT DATA

### 200-1: DETERMINING A CLIENT'S PERSONAL AND FINANCIAL GOALS, NEEDS AND PRIORITIES

*The financial planning practitioner and the client shall mutually define the client's personal and financial goals, needs and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.*

#### **Explanation of this Practice Standard**

Prior to making recommendations to the client, the financial planning practitioner and the client shall mutually define the client's personal and financial goals, needs and priorities. In order to arrive at such a definition, the practitioner will need to explore the client's values, attitudes, expectations, and time horizons as they affect the client's goals, needs and priorities. The process of "mutually-defining" is essential in determining what activities may be necessary to proceed with the client engagement. Personal values and attitudes shape the client's goals and objectives and the priority placed on them. Accordingly, these goals and objectives must be consistent with the client's values and attitudes in order for the client to make the commitment necessary to accomplish them.

Goals and objectives provide focus, purpose, vision and direction for the financial planning process. It is important to determine clear, and measurable objectives that are relevant to the scope of the engagement. The role of the practitioner is to facilitate the goal-setting process in order to clarify, with the client, goals and objectives. When appropriate, the practitioner shall try to assist clients in recognizing the implications of unrealistic goals and objectives.

This *Practice Standard* addresses only the tasks of determining the client's personal and financial goals, needs and priorities; assessing the client's values, attitudes and expectations; and determining the client's time horizons. These areas are subjective and the practitioner's interpretation is limited by what the client reveals.

This *Practice Standard* shall not be considered alone, but in conjunction with all other Practice Standards.

#### **Effective Date**

Original version, January 1, 1999. Updated version, January 1, 2002.

#### **Relationship of this Practice Standard to CFP Board's Code of Ethics and Rules of Conduct**

This *Practice Standard* relates to CFP Board's *Code of Ethics and Rules of Conduct* through Principle 7 - Diligence and Rules 3.3, 4.4 and 4.5

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The public is served when the relationship is based upon mutually defined goals, needs and priorities. This *Practice Standard* reinforces the practice of putting the client's interests first which is intended to increase the likelihood of achieving the client's goals and objectives.

### **Upon the Financial Planning Profession**

Compliance with this *Practice Standard* emphasizes to the public that the client's goals, needs and priorities are the focus of financial planning. This encourages the public to seek out the services of a financial planning practitioner who uses such an approach.

### **Upon the Financial Planning Practitioner**

The client's goals, needs and priorities help determine the direction of financial planning. This focuses the practitioner on the specific tasks that need to be accomplished. Ultimately, this will facilitate the development of appropriate recommendations.

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## **200-2: OBTAINING QUANTITATIVE INFORMATION AND DOCUMENTS**

*The financial planning practitioner shall obtain sufficient quantitative information and documents about a client relevant to the scope of the engagement before any recommendation is made and/or implemented.*

### **Explanation of this Practice Standard**

Prior to making recommendations to the client and depending on the scope of the engagement, the financial planning practitioner shall determine what quantitative information and documents are sufficient and relevant.

The practitioner shall obtain sufficient and relevant quantitative information and documents pertaining to the client's financial resources, obligations and personal situation. This information may be obtained directly from the client or other sources such as interview(s), questionnaire(s), client records and documents.

The practitioner shall communicate to the client a reliance on the completeness and accuracy of the information provided and that incomplete or inaccurate information will impact conclusions and recommendations.

If the practitioner is unable to obtain sufficient and relevant quantitative information and documents to form a basis for recommendations, the practitioner shall either:

- A. Restrict the scope of the engagement to those matters for which sufficient and relevant information is available;  
or
- B. Terminate the engagement.

The practitioner shall communicate to the client any limitations on the scope of the engagement, as well as the fact that this limitation could affect the conclusions and recommendations.

This *Practice Standard* shall not be considered alone, but in conjunction with all other *Practice Standards*.

### **Effective Date**

Original version, January 1, 1999. Updated version, January 1, 2002.

### **Relationship of this Practice Standard to CFP Board's Code of Ethics and Rules of Conduct**

This *Practice Standard* relates to CFP Board's Code of Ethics and Rules of Conduct through Principle 7 - Diligence and Rules 3.3, 4.4 and 4.5

The public is served when financial planning recommendations are based upon sufficient and relevant quantitative information and documents. This *Practice Standard* is intended to increase the likelihood of achieving the client's goals and objectives.

### **Upon the Financial Planning Profession**

Financial planning requires that recommendations be made based on sufficient and relevant quantitative data. Therefore, compliance with this *Practice Standard* encourages the public to seek financial planning practitioners who use financial planning.

### **Upon the Financial Planning Practitioner**

Sufficient and relevant quantitative information and documents provide the foundation for analysis. Ultimately, this will facilitate the development of appropriate recommendations.

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