

# Award in Financial Planning

**Objective:** To provide knowledge and understanding of the financial planning process within a professional business environment and the core financial and life assurance products suitable to a client's needs.

Summary of learning outcomes	Number of questions in the examination*
1. The client's needs	12
2. The fact-finding process	14
3. Good practice	14
4. Protection products	11
5. Savings and investment products	14
6. Pension products	10

\*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- **Method of assessment:** 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- **This syllabus will be examined until 31 August 2013.**
- **The syllabus is examined on the basis of practice in a non-regulated environment.**

## Providing professional advice

### 1. The client's needs

On completion, candidates should

- 1.1 *know* the seven typical lifestages of a client: childhood, young unmarried, young married, young married with children, married with older children, post-family/pre-retirement, retirement;
- 1.2 *understand* the financial planning requirements and constraints at each of the lifestages listed in 1.1 above and how these may vary with individual circumstances and available resources;
- 1.3 *be able to* apply financial planning criteria to potential needs arising in future lifestages including those of an ageing population wishing to maintain living standards;
- 1.4 *understand* how a client's needs at each lifestage are affected by his or her age, marital and employment status, state of health and that of any dependants, the availability of resources, ethical preferences;
- 1.5 *know* that the seven typical lifestages listed in 1.1 above are inappropriate for clients who have remained unmarried or are widowed, divorced, separated or childless;
- 1.6 *understand* that such clients may have different needs from clients in the seven typical lifestages who are of comparable age and means or have comparable family responsibilities;
- 1.7 *know* the four main steps in identifying a client's real financial needs: distinguishing between the client's perceived and real needs, distinguishing between the client's current and future needs, quantifying the client's needs, prioritising the client's needs;
- 1.8 *be able to* apply the principle of shortfall calculations as part of the process of quantifying clients' future needs;
- 1.9 *be able to* apply financial planning criteria to the information collected about a client in order to identify, quantify and prioritise a client's real financial needs;
- 1.10 *be able to* apply features of different types of product to the client's needs and understand the role of the financial adviser in recommending suitable products by which the client can achieve his or her financial objectives, are affordable and appropriate to the client's risk profile and are tax efficient.

### 2. The fact-finding process

On completion, candidates should

- 2.1 *know* what a fact-find is: an information-gathering exercise designed to collect and record, in a systematic way, the information about a client which is necessary to identify and quantify the client's needs;
- 2.2 *know* how to make suitable recommendations: collecting and using information that enables the adviser to take into account a client's present circumstances, financial objectives, future plans;
- 2.3 *know* the variety of ways a fact-find can be carried out: holding a structured meeting with the client, conducting a telephone interview with the client, corresponding with the client;

- 2.4 *understand* the strengths and weaknesses of each of the methods of conducting a fact-find listed in 2.3 above;
- 2.5 *be able to* apply the principles of conducting a fact-find by: drafting appropriate questions to ask the client, phrasing these questions so that the client understands them, asking for additional information from the client where appropriate;
- 2.6 *know* the main client and family details to be collected in a fact-find: date of birth, place of birth, state of health, marital status, present and previous employment including current salary and benefits, relevant details of dependants;
- 2.7 *know* the main categories of financial details to be collected in a fact-find: assets and liabilities, regular savings and expenditure, life and health insurance (including disability), pension provision;
- 2.8 *know* the main planning and objective categories contained in a fact-find: future changes in circumstances, children's education, career and retirement aspirations, prospects and other ambitions;
- 2.9 *know* how to record accurately clients' personal and financial details;
- 2.10 *understand* how a client profile is affected by: marital and family status, employment status, regular income and accumulated capital, financial commitments, attitude to risk;
- 2.11 *know* the main areas of financial planning: life and health protection (including disability) planning, savings and investment planning, retirement planning, inheritance planning;
- 2.12 *be able to* apply information collected in a fact-find to identify a client's financial objectives, short-term and long-term, within each of the main financial planning areas listed in 2.11 above;
- 2.13 *know* a client's financial objectives are likely to be determined by his or her current and future: housing needs and aspirations, marital status, family commitments, career plans, retirement plans.

### 3. Good practice

On completion, candidates should

- 3.1 *know* that the financial adviser has a duty, at all stages of the sales process, to ensure that the client understands fully all the implications of accepting the financial adviser's recommendations, including any inherent risks;
- 3.2 *know* the difference in status between different types of financial adviser e.g. tied, multi-tied and independent;
- 3.3 *understand* why it is essential for the status of the financial adviser and the remuneration method, e.g. commission or fees, to be disclosed to the prospective client at the outset of the sales process;
- 3.4 *be able to* apply structured recommendations using a combination of new and existing financial products appropriate to the client;
- 3.5 *know* the key features of financial services products that should be provided for clients and the stage in the sales process at which this information should be made available;

- 3.6 *understand* the supervisory methods that can be used to monitor the suitability of advice leading to the sales performance of financial advisers and financial products;
- 3.7 *know* what steps the adviser should take when the client rejects the adviser's recommendations and instructs the adviser to effect a transaction which the adviser believes to be unsuitable;
- 3.8 *know* what the tied adviser must do when he or she does not have a product that would properly meet the needs of the client;
- 3.9 *understand* that it is the duty of the adviser to ensure that all reasonable steps have been taken to obtain the best terms available in the market for the client when conducting certain transactions;
- 3.10 *know* how to conduct an execution-only transaction on behalf of a client where no financial advice has been sought or given;
- 3.11 *understand* the need to request appropriate client identification and the source of the funds to be invested to avoid money laundering;
- 3.12 *understand* why it is unethical to advise a client to switch between the financial products of different providers, unless that switch is clearly in the client's interests;
- 3.13 *know* the main features of a cancellation arrangement;
- 3.14 *understand* the need for an effective complaints procedure to cover the sale of financial services products and know the essential features of such a procedure;
- 3.15 *know* the main features of compensation arrangements;
- 3.16 *understand* the importance of regular reviews of the client's arrangements and circumstances and advise on appropriate changes.
- 4.6 *know*, in a generic sense, the policy features of these protection products: term assurance: level, decreasing (including family income benefits), increasing and increasable, convertible, renewable; whole of life assurance: unit-linked with-profits, non-profit; health insurance: income protection insurance (PHI), critical illness insurance, private medical insurance (PMI), long-term care insurance; sickness, accident and unemployment insurance;
- 4.7 *be able to* apply the products listed in 4.6 to satisfy the client's needs in particular circumstances.

## 5 Savings and investment products

On completion, candidates should

## Product knowledge

### 4. Protection products

On completion, candidates should

- 4.1 *know* the circumstances in which there is a need for protection advice against death and disability;
- 4.2 *know* the main personal and financial details on which a client's protection requirements depend: age, dependants, income, assets and liabilities;
- 4.3 *know* the policy features of protection products which affect their suitability for a client: premium levels, charging and commission structure, policy options, policy guarantees, flexibility, policy benefits and their possible limitations, past investment performance (where appropriate), surrender values;
- 4.4 *understand* how to prioritise and evaluate the significance of the features listed in 4.3 above in a given set of client circumstances;
- 4.5 *understand* how the tax treatment of protection products affects their suitability for a client;
- 5.1 *know* the circumstances in which there is a need for savings and investment advice;
- 5.2 *know* the main personal and financial details on which a client's savings and investment requirements depend: disposable income and capital available, liquidity, assets and liabilities, expectation of inheritance, time available to achieve objective, longer-term growth trends;
- 5.3 *know* the features of savings and investment products which affect their suitability for a client: income and capital growth prospects, guarantees, accessibility, penalties, contribution limits, risk, buying and selling mechanisms, charging and commission structure, past investment performance (where appropriate), flexibility;
- 5.4 *understand* how to prioritise and evaluate the significance of the features listed in 5.3 above in a given set of client circumstances;
- 5.5 *understand* how the tax treatment of savings and investment products affects their suitability for a client;
- 5.6 *know*, in a generic sense, the features of these savings and investment products: deposit savings accounts, government securities, gilts, fixed-interest investments; shares: quoted and unquoted, ordinary and preference; endowments: with-profits, non-profit, unit-linked; annuities: immediate, deferred, temporary, life, guaranteed, capital-protected, escalating, level; collective investments: investment trusts, unit trusts, open-ended investment companies (OIECs); investment bonds; corporate bonds; structured products, including protected equity bonds; property investment: direct and indirect, residential and commercial;
- 5.7 *be able to* apply the savings and investment products listed in 5.6 above to satisfy clients' needs in particular circumstances;
- 5.8 *understand* the relationship between the client's risk tolerance and the real level of return;
- 5.9 *understand* how collective investments spread risk;
- 5.10 *understand* how inflation, deflation and other economic environmental factors affect savings and investment products;
- 5.11 *understand* how changes in interest rates affect the future performance of savings and investment products;
- 5.12 *understand* the importance of an emergency fund and sensible debt management including the advantages and disadvantages of debt repayment compared to additional saving.

## 6. Pension products

On completion, candidates should

- 6.1 *know* the circumstances in which, and when, there is a need for pension advice;
- 6.2 *know* how to evaluate a client's pension requirements;
- 6.3 *know* the main personal and financial details on which a client's pension requirements depend: age, dependants, income, other assets and liabilities, previous and current pension arrangements, State Pension provision (where applicable);
- 6.4 *know* the features of a pension scheme which affect its suitability for a client: eligibility, contribution level and any limits, investment options, benefits, charging and commission structure (if applicable), withdrawal arrangements and transfer value, flexibility, guarantees;
- 6.5 *understand* how to prioritise and evaluate the features listed in 6.4 above in a given set of client circumstances;
- 6.6 *understand* how the tax treatment of pension scheme contributions and benefits affects the suitability for a particular client;
- 6.7 *know*, in a generic sense, the features of these types of pension scheme, occupational pension scheme (money purchase and final salary defined benefit), personal pension scheme: individual, group, State Pension provision;
- 6.8 *be able to* apply the pension schemes listed in 6.7 above to satisfy clients' needs in particular circumstances;
- 6.9 *understand* the difference between a defined benefits pension scheme and a defined contributions pension scheme;
- 6.10 *understand* how inflation, deflation and other economic environmental factors affect pension schemes and annuities;
- 6.11 *understand* how changes in interest rates affect the future value of pension schemes and annuities;
- 6.12 *understand* the consequences of inadequate retirement planning.

## Reading list

The following list provides details of various publications which may assist with your studies.

**Note: The examination will test the syllabus alone.** The reading list is provided for guidance only and is not in itself the subject of the examination. The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.


CII study texts can be consulted from within the library. For further information on the lending service, please go to [www.knowledge.cii.co.uk/library/services](http://www.knowledge.cii.co.uk/library/services).

## CII study text

Award in financial planning. London: CII. Study text.

## Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about setting up RSS  alerts for new books and articles in your area of interest, please visit [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk)

## Books (and ebooks)

The process of financial planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

## Factfiles and other online resources

The tax treatment of pension schemes. Roger Self. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

High-net worth in financial services. Brad Baker. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

The regulatory framework. Simon Collins. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

Recent developments in life product design. Robert Surridge. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

State retirement pensions. Roger Self. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

Stakeholder pension schemes. Roger Self. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

The regulation of retail investment business. Kevin Morris and Tony Wiltshire. Updated as necessary. Available online via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

**Further articles and technical bulletins are available at [knowledge.cii.co.uk](http://knowledge.cii.co.uk)** (CII and Personal Finance Society members only).

## Journals and magazines

Financial solutions. London: CII. Six issues a year. Also available via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

## Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online at [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk) (CII/Personal Finance Society members only).

Dictionary of banking and finance. P H Collin. A&C Black, 2005. Also available as an ebook via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Harriman House, 2007. Also available as an ebook via [knowledge.cii.co.uk](http://knowledge.cii.co.uk) (CII/Personal Finance Society members only).

The professional adviser's factfile. Taxbriefs. London: Taxbriefs. Looseleaf.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.