

# 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 from 1 May 2017 until 30 April 2018.
- The syllabus is examined on the basis of practice in a non-regulated environment.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

## 1. The client's needs

- 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

- 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: face to face, at a distance;
- 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

- 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 between different types of financial service and advice e.g. independent, restricted, execution only;
- 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. Protection products

- 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;
- 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 (IP), 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

- 5.1 *know* the circumstances in which there is a need for savings and investment advice;
- 5.2 *know* the main personal and financial factors affecting choice of savings and investment products;
- 5.3 *know* the suitability factors in the choice of savings and investment products;
- 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: types, death options, income options, costings; collective investments: investment trusts, unit trusts, open-ended investment companies (OEICs); 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 strategies.

## 6. Pension products

- 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 (defined benefit and defined contributions), 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;

## Reading list

The following list provides details of various publications which may assist you 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 you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## CII study texts

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

## Books

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

## eBooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Investor behaviour: the psychology of financial planning and investing. H. Kent Baker. Hoboken, New Jersey: Wiley, 2014.

Strategic financial planning over the life-cycle: a conceptual approach to personal risk management. Narat Charupat, Moshe Ayre Milevsky, Huaxiong Huang. New York: Cambridge University Press, 2012.

Succession planning for financial advisors: building an enduring business. David Grau. New Jersey: Wiley, 2014.

## Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciiactfiles](http://www.cii.co.uk/ciiactfiles) (CII/PFS members only).

High net worth in financial services. Brad Baker.

The regulatory framework. Simon Collins.

Recent developments in life product design. Robert SurrIDGE

The regulation of retail investment business. Kevin Morris.

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Journals and magazines

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Also available at [www.thepfs.org/knowledge](http://www.thepfs.org/knowledge) (CII/PFS members only).

## Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

Dictionary of banking and finance. P H Collin. A&C Black, 2005.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

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

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

## Examination guides

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk).

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

## Exam technique/study skills

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

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).