

Ask the Ethicist: Help the CFP Board improve its revised standards

The proposal is a worthy effort that needs tweaking, so weigh in during the Jan. 2 to Feb. 2 comment period.

December 27, 2017 [By Bloomberg](#)

On Dec. 20, the CFP Board released the second draft of its proposed revisions to the Standards of Professional Conduct.

The first draft was released during the summer with a 60-day comment period. This latest version is open to comment from Jan. 2 to Feb. 2. The board of directors will consider next steps at its April meeting. There has been no announcement of when the new standards will be effective.

To help CFP professionals and other interested parties better understand the changes, the CFP Board published an annotated version that identifies not only the change but also the feedback that was received during the initial comment period and the reasoning behind the CFP Board's decision to make a change or leave it as originally proposed.

WORTHY EFFORT

The CFP Board should be commended for preparing and publishing this document, as it should help CFP professionals understand both the letter and the spirit of the Standards. There are numerous small tweaks to make the document more understandable and to reduce the instances where confusion was likely. I appreciate the effort to remove some of the more legalistic language.

(More: [CFP Board touts revised standards in \\$80,000 Wall St. Journal ad](#))

Although such vocabulary is common in regulatory documents, the CFP Board's enforcement of the Standards of Professional Conduct lies with volunteers who serve on the Disciplinary and Ethics Commission. These dedicated people are not trained attorneys but peers and other similar professionals. Clearly written Standards should help produce more consistent application.

This latest set of revisions continues to require that CFP professionals act as fiduciaries when providing financial advice. It requires adherence to the Financial Planning Practice Standards when providing financial planning but not when just providing financial advice.

CONFUSING DISTINCTION

Thus, the CFP Board creates a distinction between financial advice and financial planning that may be confusing to both consumers and professionals. The CFP Board seems to indicate that

financial planning always requires financial advice but financial advice does not always require financial planning. This relates directly to the lack of a common understanding of just what is meant by the term ‘financial planning.’

The CFP Board identifies it as a process while many in the public and industry view it as differently — a product, an analysis or a bundle of specific services. This area is likely to draw the greatest response and may need even further revision.

Another area that drew many comments in the first draft involved the delivery of written disclosures to prospective clients. The CFP Board responded to the feedback by changing the timing of the delivery to the point where the client actually engages the CFP professional.

WORKING WITH FIRMS

While the CFP Board still believes that consumers need more disclosures up front, it recognized that this might be problematical for broker-dealer affiliated CFP professionals due to existing Finra and SEC restrictions on advertising. Instead, it indicated a willingness to work with firms and their associations to develop uniform disclosure documents that meet the intent of the first proposals.

(More: [CFP Board modifies details of revised standards but maintains strengthened fiduciary duty](#))

The CFP Board also added greater emphasis on the appropriate use of the term “fee-only,” by stating clearly that use of terms like “fee-based” — or other similar terms that may mislead clients into a belief that the CFP professional’s compensation consists solely or predominantly of fees — is prohibited unless all compensation is from fees and there is no sales-related compensation.

The comment period opens after the New Year. I encourage everyone interested to review the revised standards and to provide comments to the CFP Board with either support or suggestions for changes still needed.