INTRODUCTION

For over 40 years, Keir Educational Resources has helped hundreds of thousands of insurance and financial professionals to obtain their professional designations. Over the last 20 years, Keir has produced supplemental study materials to help students complete the required courses at local universities and colleges in order to qualify to sit for the CFP® Certification Examination. Keir also has comprehensive review materials for the CFP® Certification Examination that have helped thousands of students to pass the CFP® Certification Examination.

While working with numerous program directors and instructors from universities and colleges across the country, Keir Educational Resources often receives requests for a book that can serve as the primary textbook for each course that is required by CFP Board Registered Programs. Program directors and instructors involved with these programs are frequently looking for textbooks focused specifically on the topics and learning objectives outlined by CFP Board. Keir is pleased to offer textbooks designed specifically for each of the courses included in CFP Board Registered Programs.

Keir’s textbooks are designed using our well proven methodology of structuring each book to follow the Principle Knowledge Topic List provided by the CERTIFIED FINANCIAL PLANNER™ Board of Standards. The topic list is the current basis for the CFP® Certification Examination, and, along with the Student-Centered Learning Objectives released by CFP Board in 2015, is the basis for student learning in Registered Programs. This textbook covers Professional Conduct and Regulation (Topics 1 – 7), General Financial Planning Principles (Topics 8 – 16), and Education Planning (Topics 17 – 21). Since this textbook is designed to follow the CFP Board’s topic list and Learning Objectives, we are confident that students and instructors will find this unique format to be the most effective way to learn the skills required of a successful financial planner. While written with CFP Board Registered Programs in mind, this General Financial Planning Principles textbook is comprehensive and flexible enough to be used in non-CFP Board programs as well.

This textbook includes over 500 multiple choice questions and case questions to help reinforce each topic. The multiple choice questions included in this textbook cover the full range of cognitive levels of questions that students will experience on the CFP® Certification Examination. These include: (1) Knowledge/Comprehension, (2) Application, (3) Analysis/Synthesis, and (4) Evaluation. Although the CFP® Certification Examination emphasizes higher level cognitive questions, a student needs to master lower level knowledge and comprehension questions in order to become proficient at answering the application, analysis, and evaluation questions.
To provide the experience of working on cases, as will be required of students when taking the CFP® Certification Examination, we have included comprehensive cases with multiple choice questions in Appendix A at the end of this textbook. Each of the topics contains a table identifying cases and questions covering material in that particular topic. Students should read the case in the Appendix and attempt to answer the case questions identified for that topic. The cases range from a few paragraphs of facts to comprehensive cases with 5 to 10 pages of detailed client information. The short cases are similar to the mini-cases that appear on the CFP® Certification Examination, and allow students to start to build their ability to answer case questions. The comprehensive cases provide the student with the same level of difficulty as the comprehensive cases on the CFP® Certification Examination.

Although most of the multiple choice questions in this textbook were written by Keir Educational Resources, some of the questions have appeared on past CFP® Certification Examinations and are reprinted here with permission.
BIBLICAL APPLICATION

We are honored that you have selected Keir Educational Resource’s textbook with faith-based supplements from the Ron Blue Institute. We hope that you are equipped with a biblical overview and perspective as you study the competencies needed to sit for the national Certified Financial Planning Board of Standards, Inc. comprehensive exam. This set of materials includes sections that provide biblical principles and concepts within specific topics. These sections are noted by the following symbol:

The biblical principles and concepts are short and practical for you as a Christian financial planner; however, they are not comprehensive in nature. We want to encourage you to seek more information about biblical integration into your financial planning practice by becoming aware of the work of the Ron Blue Institute and Kingdom Advisors.

The Ron Blue Institute was founded in 2012 by Ron Blue in partnership with Indiana Wesleyan University. The Ron Blue Institute was created to build upon the writings and teachings of Ron Blue over the course of his 40 year career in financial services. Ron has written over 20 books and has been one of the most influential speakers on the topic of biblical wisdom and discernment in financial decision making. In addition to his writings, Ron has founded many organizations, including National Christian Foundation, Ronald Blue & Co., and Kingdom Advisors. The main focus of the Ron Blue Institute is to change the way Christians think, act, and communicate about money and money management.

Kingdom Advisors, headquartered in Atlanta Georgia, is a professional organization that seeks to equip financial professionals with in-depth training within a tight-knit community of Christian financial professionals who integrate their faith with their practice. Just recently, Kingdom Advisors re-launched and re-branded their designation and training for their national Certified Kingdom Advisor, or CKA® which can be obtained through Indiana Wesleyan University or Liberty University. More information can be found at www.kingdomadvisors.com

This textbook offers you a one-year student membership in Kingdom Advisors, a community of financial professionals integrating faith and practice. See the insert for details on how to activate your free student membership, a $35 value.

Again, we are honored that you decided to seek materials with faith-based supplements and hope that through these supplements you are able to draw a closer to God and make practical application of these biblical principles in your financial planning practice.

Thank you and God Bless!
Dr. Justin M. Henegar, CFP®, ChFC®, CRPC®, Executive Director of Research and Scholarship at the Ron Blue Institute for Financial Planning received his undergraduate degree from the University of Oklahoma, a Master of Business Administration degree from Oklahoma Christian University, and his doctorate degree from Kansas State University. Prior to his role with RBI, Dr. Henegar worked both as a financial advisor and Client Relationship Manager for multiple different Merrill Lynch offices in Oklahoma and Texas. Currently, Dr. Henegar’s responsibilities include developing and cultivating the Institute’s research agenda and curriculum development needs, focused mainly on those within academia. Dr. Henegar teaches both residential students and online classes in topics such as personal finance, financial planning, and corporate finance. Dr. Henegar and Ron Blue have recently published a college textbook titled, “Biblical Financial Planning: A Biblical Worldview of Personal Finance.”
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Biblical Principles and Application

Topic Title: Financial Planning Process

Scripture Verse: *When the Spirit of Truth comes, he will guide you into all truth, for he will not speak on his own authority, but whatever he hears he will speak, and he will declare to you the things that are to come.* (John 16:13)

Setting the stage: Financial planners help their clients by using a systematic approach known as the financial planning process. The first step of this process is to establish the client-planner relationship. For Christian financial professionals, this first step may include informing potential clients that your advice is developed with a biblical world view. Why would this matter? Your world view, how you see the world, can dictate your actions, and may influence and direct your counsel. A discussion of your world view may provide the opportunity to establish a firm relationship with clients by exploring their world view as well. Below is a script that you might adapt to your own preferences and that can help bring your faith into your practice:

*John and Sally, it is great to hear about your current situation, and I believe that our team can provide a robust holistic approach that you may feel you are missing. As a Christian financial advisor, I approach holistic financial planning from a biblical world view. Many of my clients desire to incorporate their faith and values into the way they manage their financial resources, so to help learn the values you may want in your financial plan, I like to ask a few questions.*

1) *What personal convictions, if any, do you have that would be important for us to know as we help you to build your financial plan?*
2) *As we begin to make investment selections, are there industries or companies that you would not consider as options?*
3) *Our office regularly prays for clients and to help them with their struggles. Is/Are there any aspects of life that we can pray for you about?*

These questions may begin to help open the door in establishing an appropriate client-planner relationship. As you prepare to learn the topic content, seek the Holy Spirit and reflect on how you can articulate these biblical principles and begin to incorporate them into your financial planning practice and counsel. You will have the opportunity to reflect on this more at the end of this topic.

*Kingdom Advisors® – Explore this topic further at www.kingdomadvisors.com*
GENERAL FINANCIAL PLANNING PRINCIPLES

Financial Planning Process (Topic 8)

CFP Board Student-Centered Learning Objectives

(a) Describe the personal financial planning process as defined by the Financial Planning Practice Standards.

(b) Recognize unethical practices in the financial planning profession based on the CFP Board Standards of Professional Conduct.

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Part 1: Financial Planning Process

PURPOSE, BENEFITS, AND COMPONENTS OF FINANCIAL PLANNING

Personal financial planning requires development of comprehensive strategies to achieve personal financial objectives. The purpose of the financial planning process is to provide a road map for clients to follow to achieve financial goals.

The disciplined approach of the financial planning process can reveal existing or potential financial problems that may impede a client from attaining goals and objectives. The organization of resources that is required during financial planning can also help with decision making and with determining the resources available to attain financial goals.

In addition to providing an organized approach, the financial planning process encourages exploration of client issues and facilitates creation of various solutions toward the accomplishment of goals. The financial planner makes recommendations from among the possible solutions, communicates ways in which client concerns can be resolved, and provides professional management to help clients achieve financial objectives.

The Art and Science of Financial Planning

Financial planning can be defined by the six-step process that a planner uses to assist clients with reaching financial goals. While the process is essentially the same for each client, the end result will be unique to each individual. Not all planners will formulate the same recommendation from the same client facts, and not all clients in similar situations will be best served by the same solution. Moreover, very different financial planning results can arise from very small differences or changes in values, beliefs, or levels of risk tolerance. A good financial planner will seek first to understand the client’s needs and then create the best solution for that particular client. Consequently, students should recognize that planning is both art and science.

SIX STEPS IN THE FINANCIAL PLANNING PROCESS – EGADIM

We use the acronym EGADIM to help students remember the six steps of the financial planning process. The following several pages provide an overview of what happens in each of these six steps.
**EXHIBIT 8 – 1**
The Financial Planning Process

**EGADIM**

- **Step 1:** E – Establish Relationship
- **Step 2:** G – Gather Information
- **Step 3:** A – Analyze the Data
- **Step 4:** D – Develop the Plan
- **Step 5:** I – Implement
- **Step 6:** M – Monitor

**Step 1: Establishing Client-Planner Relationships**

The first step in the financial planning process is to establish and define the terms of the relationship that will govern the activities of the planner and the client. This step will include describing each person’s responsibilities during the working relationship. Defining the scope of the engagement also means clients will express their expectations and needs, and the planner will limit his or her engagement to those responsibilities that are warranted.

This first step is to be completed before any financial planning service is provided and entails a mutual defining of the scope of the engagement. Among the topics to be addressed in this step are:

- Identifying the services that will be provided
- Describing how the planner will be compensated, i.e., commissions, fees, or other basis
- Identifying the specific responsibilities of both the planner and the client
- Deciding on the time frame of the engagement
- Discussing any potential conflicts of interest that may exist between the planner or firm and the client
- Discussing any other matters needed to define or limit the engagement’s scope

While many planners prefer to set forth these topics in a letter of engagement or similar written document, there is generally no requirement that these topics be reduced to writing.

*“Trust is the glue of life. It’s the most essential ingredient in effective communication. It’s the foundational principle that holds all relationships.” — Stephen Covey*
Notice that the relationship begins with a conversation regarding the items listed in the bullet points above. The prospective client and planner are trying to determine whether the planner has the skills, capacity, and ability to assist the client, and whether there is any reason they cannot or should not work together. The planner and client will need to be compatible, and the planner must be sufficiently self-aware to realize when the relationship will not allow the planner to continue with the financial planning process. Not every prospective client will become a client, and sometimes the process will proceed no farther than the first step.

If the initial conversation results in the decision to engage the planner’s services, additional documentation may be required. Documents that must be prepared are specified by various regulatory organizations and/or by the CFP Board of Standards if the planner is a CFP® certificant.

**CFP Board’s Rules of Conduct**

**Rule 1.3**

If the services include financial planning or material elements of financial planning, the certificant or the certificant’s employer shall enter into a written agreement governing the financial planning services (“Agreement”). The Agreement shall specify:

a. The parties to the Agreement,
b. The date of the Agreement and its duration,
c. How and on what terms each party can terminate the Agreement, and
d. The services to be provided as part of the Agreement.

The purpose of this first step is to make clear to both parties what is supposed to happen in the subsequent steps in the process, to set realistic expectations for both parties, and to avoid unpleasant “surprises” later. Of course, as the engagement is carried out, its scope may be altered by mutual agreement.

Many practitioners recommend a full discussion of the provisions of any document the client is asked to sign. In fact, there may be several documents that the planner and client need to review in order to ensure a full understanding of the financial planning process and the responsibilities of each party. The planner may need to present timelines, explanations of compensation, and other documents, such as:

- The planner’s biographical sketch
- The firm’s brochure that describes services offered
- Form ADV as required by the Securities and Exchange Commission or the State regulator
General Financial Planning Principles – Topic 8

- The Fee Agreement or other compensation arrangement
- Disclosure documents

We suggest that it is critically important to establish a clear understanding from the outset as to the financial planning engagement. The process should be explained orally and in writing, and the client should be asked if he or she needs additional time to decide whether to engage the planner’s services. Clear communication at this point enhances the probability that an individual will proceed immediately.

Identifying potential conflicts of interest at the outset is important for placing the client-planner relationship on a firm foundation. The CFP Board’s Rules of Conduct require that CFP® certificants provide clients with a general summary of likely conflicts of interest. Conflicts of interest arise when personal interests are likely to influence or impair objectivity. A planner has a duty to exercise objective judgment on behalf of clients, so clients need to be advised when objectivity may be at risk.

An example of a potential conflict of interest arises when a planner receives a fee for preparation of a financial plan as well as commissions for sales of products. In such a case, the danger for the client is that a planner may be influenced to recommend a product with a larger commission.

It is not always possible to anticipate initially all conflicts of interest that may arise, so additional disclosures may be required as the financial planning process proceeds.

The Certified Financial Planner Board of Standards provides Sample Disclosure forms (Forms FPD and OPS), a Financial Planning Disclosure and Agreement Sample (Form FPDA), as well as a Sample Engagement Letter. These sample documents may be found on the CFP Board website at CFP.net and are also included in Appendix C of this textbook.

Class Exercise 8 – 1

In this exercise, students will role-play the initial meeting with the client. The instructor will role-play as the client, and other classmates will be asked to evaluate the meeting. A sample evaluation form is provided on the instructor web site.

Step 2: Gathering Client Data and Determining Goals and Expectations

The second step in the financial planning process is to gather quantitative and qualitative data about the client, including his or her financial goals and objectives.
General Financial Planning Principles – Topic 8

There are several tasks associated with determining the client’s goals and objectives. These include:

(1) quantifying specific financial goals in terms of dollars and within definite time frames (generalized aspirations must be made specific)
(2) ranking the objectives according to the client’s priorities, and
(3) examining the objectives with regard to the client’s resources and limitations or constraints

Planners should emphasize the importance of establishing goals, objectives, and priorities by making this action one of the first areas for discussion. These goals and priorities will drive the rest of the plan and should be reiterated early in the final written plan.

In practice, a client may need help in setting specific objectives. For example, a client may indicate “I want a comfortable retirement.” A planner will have to explain to the client that they cannot plan together effectively with that generic and nebulous statement. The planner will need to help the client to express the objective in terms that are SMART:

- Specific
- Measurable
- Achievable
- Realistic
- Timely

For example, “I want 80% of my net pre-retirement income during a 30-year time horizon, inflation-adjusted at 3% per year, from all sources combined, beginning at age 66.”
APPLICATION QUESTIONS

1. (Published question released November, 1994)

Arrange the following financial planning functions into the logical order in which these functions are performed by a professional financial planner.

(1) Interview clients, identify preliminary goals
(2) Monitor financial plans
(3) Prepare financial plan
(4) Implement financial strategies, plans, and products
(5) Collect, analyze, and evaluate client data

A. (1), (3), (5), (4), (2)  
B. (5), (1), (3), (2), (4)  
C. (1), (5), (4), (3), (2)  
D. (1), (5), (3), (4), (2)  
E. (1), (4), (5), (3), (2)

2. Which of the following stated goals of a client is most workable for financial planning purposes?

A. To get out of debt  
B. To enjoy a comfortable retirement lifestyle  
C. Of most importance, to purchase a vacation home within 5 years at a cost of about $100,000  
D. To increase the amount of life insurance owned  
E. To diversify his or her investment portfolio

3. Which of the following items of information would not be in the category of Estate Planning Information in a typical fact-finding form?

A. Status of current will  
B. Planned gifts  
C. Potential impact of inflation  
D. Risk tolerance  
E. Current trust provisions
4. (Published question released January, 1999)

You receive a phone call from an individual you have not spoken with previously. The caller is excited, just having heard that a new mutual fund is positioned to deliver large gains in the coming year. The caller wishes to purchase shares of the fund through you. Keeping in mind stages of the overall personal financial planning process, which of the following questions that address the first two stages of the financial planning process should you ask the caller?

(1) What are your goals for this investment?
(2) What other investments do you have?
(3) What is your date of birth?
(4) Do you want your dividends reinvested?

A. (1) and (3) only  
B. (2) and (4) only  
C. (1), (2), and (3) only  
D. (1), (2), and (4) only

5. Which of the following areas of analysis in financial planning for a client make use of data in the client’s personal financial statements?

(1) Analysis of the client’s risk exposures  
(2) Analysis of the client’s investment portfolio allocation  
(3) Analysis of the client’s income tax burden  
(4) Analysis of the client’s resources for retirement  
(5) Analysis of the client’s potential estate tax burden

A. (2) and (3) only  
B. (1), (2), and (4) only  
C. (2), (3), and (4) only  
D. (3), (4), and (5) only  
E. (1), (2), (3), (4), and (5)
For practice answering case questions related to Topic 8, please answer the following questions in the cases included in Appendix A at the back of this textbook.

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ANSWERS AND EXPLANATIONS

1. D is the answer. Of the functions listed in the question, the first is (1) to interview the client and establish the goals. Then comes (5) data gathering, followed by (3) plan preparation, (4) implementation, and (2) monitoring the plan.

2. C is the answer. A workable goal for financial planning purposes should be specific, prioritized, and quantified. A, B, D, and E fail to meet these criteria.

3. D is the answer. Information about risk tolerance would most likely be in the General Information or Investment Information section of the typical fact-finding form.

4. C is the answer. The following is the CFP Board’s Council on Examination clarification of the question: (1), (2), and (3) all relate to the second step of the financial planning process, namely, “Gathering client data and determining goals and expectations.” The first step is “Establishing the client-planner relationship.”

5. E is the answer. All five of the listed areas of analysis utilize data provided by personal financial statements.
GENERAL FINANCIAL PLANNING PRINCIPLES

Biblical Principles Journal

Take time to reflect on your scripture reading and its implications for this topic. Write down your thoughts and reflections, prayers, or ways you can incorporate these biblical truths into your counsel.