

Statement on Standards in Personal Financial Planning Services

Frequently Asked Questions

INTRODUCTION

These frequently asked questions provide nonauthoritative guidance to assist with compliance with Statement on Standards in Personal Financial Planning Services (SSPFPS) No. 1 (the statement), published by the American Institute of CPAs (AICPA).

It should be used in conjunction with the statement, not as a substitute for it (see “Notice to Readers” below). Paragraph references refer to the numbered paragraphs in the statement.

SCOPE

1. I am providing investment management services for my clients buying and selling securities for their portfolios based on their personal situation. Does this constitute “investment planning” services?

A: Yes. Investment planning should be interpreted in the broadest possible context. Virtually all personalized investment advice or consultation should be construed as personal financial planning for purposes of the statement.

APPLICABILITY

2. Why are the activities outlined in paragraph 3 of the statement possibly subject to both the PFP standards and other AICPA standards?

A: The statement applies only to a member who provides PFP services as defined in paragraph 12. If the member engages in an activity outlined in paragraph 3 of the statement as part of the PFP engagement—for example, tax planning—that activity is covered by other applicable standards, in this case, the SSTs; but the entire engagement is covered by the PFP standard.

3. Does the statement apply to a member who does not have the CPA Personal Financial Specialist (CPA/PFS) credential or other financial planning designation?

A: Yes. The statement applies regardless of certifications held or not held by the member. Members should determine whether the statement applies by referring to paragraphs 4–5 of the statement, and the definitions in paragraph 12. A member's certification has no bearing on the application of the statement other than as a consideration when determining whether or not the member is “holding out” as providing personal financial planning (PFP) services.

4. In connection with paragraph 4b of the statement, how do I know if I need to register as an investment adviser under federal or state law?

A: Reference [*The CPA's Guide to Investment Advisory Business Models*](#). It provides guidance about when you are deemed to be providing investment advice by the Investment Advisers Act of 1940 and similar laws adopted by the various states.

5. Does the statement apply to a CPA who works for a non-CPA firm that engages in PFP or family office work?

A: The statement applies to the member, not a firm or organization. Therefore, the application of the statement must be considered at the individual member level. It does not matter in what form or in what organization the member practices.

6. If I do not put together a formal PFP engagement, have I provided PFP services subject to the statement?

A: A formal engagement is not necessary for you to be deemed to have provided PFP services. If you have made a personalized recommendation, then you may have provided PFP services regardless of the formality of the engagement and whether or not a plan or similar document is the result. You should refer to paragraphs 4–5 of the statement, and the definitions in paragraph 12 to determine if the statement applies.

7. If I am presenting a PFP seminar and I make a statement that I recommend everyone present should have some type of investment plan and their assets allocated to diverse investment strategies, is this considered a personalized recommendation subject to the statement?

A: This is not a personalized recommendation, as set forth by the statement, and, therefore, is not covered by the statement. In general, broad recommendations involving generally accepted investment theories do not constitute personalized advice.

8. I have written an article, newsletter, or other publication on a PFP topic. Does the statement apply in this case?

A: This is not a personalized recommendation, as set forth by the statement, and, therefore, is not covered by the statement.

9. Am I subject to the statement when I calculate and illustrate to a client what the taxable gift amount might be if my client implemented a qualified personal residence trust (QPRT) and then show what the future estate tax liability may be in 10 years with and without a QPRT?

A: The statement does not apply because the engagement does not constitute a PFP service as defined in paragraph 12. Mechanical computations are not covered by the statement as described in paragraphs A3-A4. However, this tax planning activity is covered by the SSTs.

- 10.** I provide guidance to a business owner in the preparation of business budgets in the operations of the business(es). The business owner routinely moves cash to and from his various entities and his personal accounts for a variety of cyclical business reasons. If I provide guidance on personal budgeting in conjunction with business budgets, does the statement apply?

A: If the information is furnished by the client and is merely a mechanical computation of the data and information and does not require professional judgment regarding assumptions, estimates, or recommendations, the statement does not apply.

- 11.** I am a CPA who has obtained the CPA/PFS credential from the AICPA. On my letterhead, under my name, are the words “Certified Public Accountant–Personal Financial Specialist.” I advise clients that their assets should be diversified among various categories, including real estate, stocks, bonds, and mutual funds, with recommendations for specific allocations in each asset category, tailored for each client. I charge for this advice on an hourly basis. Does the statement apply?

A: The statement will apply because you are providing PFP services as defined in paragraph 12 and you are holding out as a CPA financial planner. The compensation arrangement, in this case an hourly fee, has no bearing on the statement’s applicability. You should consult with legal counsel and review applicable requirements of the Investment Advisers Act to determine if you are required to register under the act.

WHEN AM I PROVIDING PFP SERVICES?

- 12.** The statement says it applies when I provide PFP services as defined in paragraph 12 and I represent to the public or clients that I provide PFP services. What constitutes examples of *representing to the public (or a client)* that I provide PFP services?

A: *Representing to the public or a client* takes place when a member (rather than a firm) takes an action that a client or the public could reasonably rely on to conclude that you provide personal financial planning services. Examples would include the following:

- Advertisement that you provide personal financial planning services or in which you solicit personal financial planning engagements
- Reference on your business card to personal financial planning services
- Placement of brochures or other client educational materials in your office describing personal financial planning services

- Inclusion in an engagement letter of a description of personal financial planning services
- Classification in telephone book yellow pages under personal financial planning categories using your name
- Oral representation to a client or prospective client that you personally provide personal financial planning services
- Solicitation of personal financial planning engagements in any marketing materials that you use
- Indication of providing personal financial planning services in client proposals that you execute

13. Does the statement apply only if I specifically use the phrase “personal financial planning” services?

A: The statement is intended to be applicable when a member represents to the public or to clients that he or she provides personal financial planning services as defined in paragraph 12, regardless of the terms used. This would include, but is not limited to, other similar terms such as the following:

- Personal financial consulting
- Personal financial services
- Comprehensive personal advisory services
- Holistic financial advisory services
- Investment advisory services
- Wealth adviser
- Personal financial advisor
- Fee only financial advisor

14. I am a CPA who utilizes a software program that summarizes the performance of mutual funds over various periods; categorizes funds by objective, performance, sales charges, and risk levels to inform accounting clients about mutual funds; provides them with a list of funds that meet their investment objectives; and provides monthly performance reports. I charge each client who asks for advice on mutual fund investments a fee of \$250 per quarter to render a report generated by the software. I do not describe the service as “personal financial planning.” Does the statement apply?

A: You should consult with legal counsel and review applicable requirements of the Investment Advisers Act to determine if you are required to register under the act. If registration is required, then the statement would apply. Reference [*The CPA’s Guide to Investment Advisory Business Models*](#), which provides guidance about when you are deemed to be providing investment

advice by the Investment Advisers Act of 1940 and similar laws adopted by the various states.

- 15.** I am a CPA who advertises on my website that I provide “accounting and investment consulting.” From time to time, and for a fee, I will assist clients who are considering investing in real estate limited partnerships by discussing with them the merits and risks of investing in the limited partnership, including advising on the past performance of the general partner in similar partnerships. I do not describe the service as “personal financial planning.” Does the statement apply?

A: This engagement is a PFP service as defined in paragraph 12. Because you are holding yourself out to the public as providing PFP services (investment-related services), the statement will apply to any PFP service provided. You should consult with legal counsel and review applicable requirements of the Investment Advisers Act to determine if you are required to register under the act. If registration is required, then the statement would apply. Reference [*The CPA’s Guide to Investment Advisory Business Models*](#), which provides guidance about when you are deemed to be providing investment advice by the Investment Advisers Act of 1940 and similar laws adopted by the various states.

- 16.** I do not represent to the public or clients that I provide personal financial planning related services. Can I provide PFP services (the activities defined in paragraph 12 of the statement) without being subject to the statement?

A: Under those circumstances, the statement would not apply unless you are required to register as an investment adviser under federal or state law or if you sell a product as a result of the engagement. Note that if you describe your end product as a financial plan or something equivalent, you are representing that you do provide personal financial planning services. You should consult with legal counsel and review applicable requirements of the Investment Advisers Act to determine if you are required to register under the act. If registration is required, then the Statement would apply. Reference [*The CPA’s Guide to Investment Advisory Business Models*](#), which provides guidance about when you are deemed to be providing investment advice by the Investment Advisers Act of 1940 and similar laws adopted by the various states.

- 17.** If a CPA firm promotes itself as providing PFP services, how is the member affected as it relates to the statement?

A: The statement is applied at the individual member level. When a firm represents that it provides PFP services, the member is not considered to be representing that he or she is providing those services, unless the member individually represents, or otherwise holds out, that he or she is providing PFP services to the client. If a sole practitioner firm represents that it provides PFP services, it is reasonable for the public to assume this representation is applicable to the member.

- 18.** My client has gone to a third-party financial adviser and has asked for my opinion of the planner's recommendations. I gave some specific suggestions with regard to the third-party plan but advised the client to go back to the third-party financial adviser for finalization and implementation of the plan. Does the statement apply to me in this situation?

A: In this case, the final recommendations and implementation will be the responsibility of the third-party adviser. The statement, therefore does not apply because this activity is not a PFP service as defined in paragraph 12.

SALE OF A PRODUCT

- 19.** A member who sells products is subject to the statement with regard to any PFP service provided. When am I deemed to be selling a product?

A: The mere possibility of receipt of compensation or remuneration, contingent upon client or related party decisions resulting from the engagement, constitutes "selling a product" for purposes of applying the statement. This includes, for example, referral fees and commissions or any other remuneration in cash or in kind.

- 20.** I recommend to clients that they invest in a particular investment program; however, I do not receive commissions from this recommendation. I do receive fees from the firm that markets that investment. Am I deemed to be selling a product?

A: Yes. Regardless of the terminology used, any remuneration received from a third party that directly or indirectly results from your referral constitutes selling a product. This remuneration is also subject to disclosure requirements.

- 21.** I perform estate planning services and send clients to several attorneys that compensate me for referrals, sometimes in cash and other times in noncash compensation. Am I deemed to be selling a product for purposes of the statement?

A: No. A referral to another professional who does not sell products is not generally considered selling a product.

- 22.** I perform retirement planning services and refer clients to insurance brokers who compensate me, sometimes in cash and other times in noncash compensation. Am I deemed to be selling a product for purposes of the statement?

A: Yes. Compensation received for referrals to those who sell products, regardless of the form of remuneration, is deemed to be selling a product for purposes of the statement. Fees received for referrals to professionals who do not sell products do not constitute selling a product.

- 23.** I am a captive agent for a large insurance and investment products company. My customers know that I am an agent for the company and that I do not provide, nor represent that I provide, personal financial planning advice. Am I subject to the statement?

A: No. Although you are receiving remuneration from the firm for which you are selling products, you are not subject to the statement because no PFP services are being provided. The AICPA Code of Professional Conduct would apply, including provisions on conflicts of interest which need to be disclosed and consent obtained, and full and clear disclosure of a potential conflict of interest is required as described in paragraphs 20 and A6-A7.

- 24.** I sell insurance and get new customers over the phone. During the course of the initial phone call, I offer to send information on my background, which includes that I am a CPA/PFS credential holder and that I provide PFP services. Am I subject to the statement?

A: Yes. By either referring to your CPA/PFS credentials or mentioning that you provide PFP services, you are holding out to be a personal financial planner for purposes of the statement. However, if you do not send the background information, and the customer is not aware of this information from other sources (for example, a website or Internet search), then for this customer, you would not be considered to be representing yourself as providing PFP services, and the statement would not apply. If you verbally tell the client you will do financial planning, you would then be subject to all the requisite disclosure rules required of the statement.

- 25.** I do not use my CPA/PFS credential in any way nor include this fact in any advertising. I do not display my certificate in my office where I meet customers. I am an agent for an independent general agency that sells life, disability, health, and property and casualty insurance. I provide PFP services to my customers and then implement the recommendations with various products that pay me a commission. Am I subject to the statement?

A: Yes. The statement applies to any PFP services provided because you sell a product as part of a PFP engagement, and you would be required to follow all the rules therein, including those requiring full and fair disclosure of compensation, whether paid directly or indirectly by the client.

- 26.** My client has asked me to assist with the purchase of a risk management product. Am I subject to the statement?

A: If you are providing PFP services as defined in paragraph 12, then the statement will apply. If you are not providing PFP services as defined in paragraph 12, then the statement will not apply.

TAX SERVICES

- 27.** In addition to providing personal financial planning for clients, I also provide tax planning and compliance work for a number of tax-only clients. During these tax planning engagements, I often run present value computations to determine the impact of various alternatives (for example, depreciation methods, timing of tax deductions between years). Is this work subject to the statement?

A: No. Mechanical computations are not covered by the statement as described in paragraphs A3-A4. However, tax planning and compliance services are subject to the SSTs.

- 28.** We recommend that clients contribute to an IRA or qualified plan. We provide guidance to business owners on the tax impact of setting up a retirement plan. Does the Statement apply to these services?

A: The recommendation that a client take advantage of a tax deduction using an IRA does not fall under the scope of the statement.

The recommendation that a business owner client seek counsel and guidance on the appropriate plan to use is a customary conversation between a member and a client and is not considered a PFP service that would be subject to the statement. However, tax planning and compliance services are subject to the SSTs.

- 29.** My client asks for my input regarding her potential deferred compensation choices. Does the statement apply to me in this situation?

A: The tax advice component of making a deferred compensation recommendation is covered by the SSTs. However, if personal financial planning services, as defined in paragraph 12 are provided (for example, you provide the current and future cash requirements and funding requirements, investment implications of the client's overall investment strategy), you are covered by the statement.

- 30.** My client forwards a summary of his employer-provided deferred compensation plan and asks me for guidance when evaluating the potential tax implications of the alternative plan choices. Does the statement apply?

A: The statement does not apply if you are not providing personal financial planning services, as defined in paragraph 12. However, the SSTs may be applicable and should be consulted.

- 31.** During an interview for income tax preparation, my client asks me about health and elder planning for her elderly parents. I review various alternatives available to the client, including Medicaid and private care facilities, and based upon the information, I suggest a particular strategy. I further recommend that the client discuss the suggested strategy with an attorney and seek implementation by the attorney of a final plan. Is this activity covered by the statement?

A: Although a particular strategy was suggested, this is not a personalized recommendation as set forth by the statement, because it will ultimately be the attorney's plan that will be implemented.

VALUATION SERVICES

- 32.** Much of my practice is in the business valuation area. While performing business valuation services, I am required to use professional judgment to determine appropriate discount and return rates. Are these business valuation engagements subject to the statement?

A: No. The statement does not apply because PFP services as defined in paragraph 12 are not being provided. However, business valuation engagements are subject to the Statement on Standards for Valuation Services No. 1, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset* (AICPA, *Professional Standards*).

WORKING WITH OTHER SERVICE PROVIDERS

- 33.** I do not provide investment management services as part of my personal financial planning practice, but I often make referrals to investment managers. Although I do not take any direct compensation for these referrals, these investment managers often reciprocate by referring tax and personal financial planning clients to me. When referring another service provider, what do I need to do?

A: In these referral situations you should do three things:

- First, you should use your professional judgment about the professional qualifications and reputation of the other service provider. Ways in which you may satisfy yourself include having worked with the professional in the past, the individual's general reputation in the community, independent performance evaluations, or other due diligence.
- Second, although you do not take any direct compensation, you should disclose any indirect compensation, which would include referrals. You should disclose to the client that you have a mutual referral relationship with the other service provider and whether it is a formal or informal relationship.
- Third, you should communicate in writing the extent to which you will or will not evaluate the work performed by the other service provider.

- 34.** When recommending another service provider to a client, should I provide several names for the client's consideration?

A: The number of recommendations of other service providers does not mitigate your responsibility to the client for making the recommendation. You should use your professional judgment regarding which, and how many, names to provide to the client.

- 35.** I provide PFP services as part of a firm that also performs attest services. Can I accept commissions and referral fees?

A: Rule 503, *Commissions and referral fees* (AICPA, *Professional Standards*, ET sec. 503 par. .01), prohibits a member from receiving a commission for recommending or referring certain types of attest clients to any product or service of a third party.

MISCELLANEOUS

- 36.** When the statement requires written documentation or communication to the client, what form should it take?

A: Any form of documentation deemed acceptable for legal purposes as a form of written documentation or communication is acceptable for the engagement.

Notice to Readers

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