Statement on Standards in Personal Financial Planning Services

Sample Letter for Monitoring and Updating Engagements

*This sample engagement letter provides 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). This engagement letter is intended to be customized to meet the needs of the member’s practice and individual engagements (see “Notice to Readers” at the end of the letter). The member should review language used in the engagement letter in conjunction with reviewing requirements of the statement. This sample engagement letter should not be used for investment advisory relationships due to the legal and regulatory requirements of engagements involving investment advice.*

[*Date*]

[*Name and Address of Client*]

Dear [*Name of client*]:

Introduction

Option #1

This letter is to confirm our mutual understanding of the terms and objectives of our engagement to address the monitoring and updating of your personal financial plan, and the nature and limitations of the services we will provide. We addressed your financial plan in the course of our separate personal financial planning engagement and addressed the implementation of your personal financial plan in the course of a separate implementation engagement. In this monitoring and updating engagement, we will assist you in tracking the progress of achieving the goals of your personal financial plan and revising as appropriate the terms of your financial plan. Our services will encompass the following activities [*select appropriate options*]:

* Cash flow planning
* Risk management and insurance planning
* Retirement planning
* Investment planning
* Estate, gift, and wealth transfer planning
* Elder planning
* Charitable planning
* Education planning
* Tax planning
* Other (specify)

We will keep your personal, non-public information strictly confidential. If your personal information needs to be disclosed when working with your other advisors or with other qualified professionals, we will ask your permission to do so. However, we may be required by legal or regulatory authorities to disclose confidential information without your permission.

Option #2

This letter is to confirm our mutual understanding of the terms and objectives of our engagement to address the monitoring and updating of your personal financial plan, and the nature and limitations of the services we will provide. Because we did not participate in the personal financial planning engagement with you in which you made various planning decisions and did not participate in the implementation of your personal financial plan, we will need to obtain an understanding of the planning and implementation decisions made. Please provide us with any written plans, analyses, assumptions or summaries that you obtained, along with a summary of any products or services you obtained in connection with the implementation of your plan. We will need to spend some time with you discussing the planning and implementation decisions made so that we have a full understanding of them in order to proceed with this monitoring and updating engagement. Our services will encompass the following activities [*select appropriate options*]:

* Cash flow planning
* Risk management and insurance planning
* Retirement planning
* Investment planning
* Estate, gift, and wealth transfer planning
* Elder planning
* Charitable planning
* Education planning
* Tax planning
* Other (specify)

We will keep your personal, non-public information strictly confidential. If your personal information needs to be disclosed when working with your other advisors or with other qualified professionals, we will ask your permission to do so. However, we may be required by legal or regulatory authorities to disclose confidential information without your permission.

Description of the Engagement

This engagement involves a variety of services that we will provide for you. With respect to monitoring the progress of your personal financial plan, our services will include the following:

1. [*Indicate the frequency and time period of your services during which the client’s progress toward reaching the goals of the personal financial plan will be monitored.*]
2. [*Indicate the criteria you will use to monitor the success of the personal financial plan which you believe are appropriate to and consistent with the criteria used to establish the client’s goals being monitored.*]
3. [*Indicate the extent of the monitoring services to be undertaken—whether you will coordinate or review monitoring services performed by other service providers, or monitor progress toward goals of a personal financial plan developed by other service providers.*]

In the course of monitoring your plan, we will evaluate the progress we believe is being made toward achieving your personal financial planning goals, and we will advise you if we believe your existing personal financial plan and specific personal financial planning recommendations should be updated.

To the extent our engagement involves updating your personal financial plan our services will include the following:

1. We will determine whether we believe the goals, objectives, information, and assumptions used as a basis for your existing planning recommendations are still valid. [*Indicate any specific actions to be taken or estimated time of services to be performed.*]
2. We will evaluate the impact of revising recommendations on your ability to achieve your other financial planning goals. [*Indicate any specific actions to be taken or estimated time of services to be performed.*]

Description of Fees

Option #1

Our estimated fee for the services previously described will be $[*insert amount*] plus out-of-pocket expenses. We will submit our bill monthly as services are performed, and it will be due and payable upon receipt. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation, if needed, is treated as a separate engagement. If you choose this additional service, a separate engagement letter will be provided. This service will be billed separately.

Option #2

The fee for this planning service will be based on our regular hourly rates of $[*insert amount*] per hour, plus out-of-pocket expenses. We project our fee will range between $[*insert amount*] and $[*insert amount*], plus direct out-of-pocket expenses for the initial plan development. As work progresses, we will make progress billings that are due and payable upon receipt. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation, if needed, is treated as a separate engagement. If you choose this additional service, a separate engagement letter will be provided. This service will be billed separately.

Option #3

Our estimated fee for the service previously described will be based on our standard hourly rates of $[*insert amount*] per hour and should range from $[*insert amount*] to $[*insert amount*]. We will submit our bill monthly as services are performed, and it will be due and payable upon receipt. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation, if needed, is treated as a separate engagement. If you choose this additional service, a separate engagement letter will be provided. This service will be billed separately.

Option #4

The professional relationship described in this letter will be for 12 months, commencing on the date of this letter, and ending 12 months thereafter. Our compensation is based on a flat fee of [*insert amount*]. Payment is due in three installments: [*insert amount*] due with the acceptance of these terms, [*insert amount*] due on [*insert date*], and [*insert amount*] due on [*insert date*]. If an extension of our services is requested, we will discuss our fee arrangements at that time. Plan implementation, if needed, is treated as a separate engagement. If you choose this additional service, a separate engagement letter will be provided. This service will be billed separately.

Conflicts of Interest

Option #1

We have no conflicts of interest in the acceptance of this engagement. We do not receive referral fees from other professionals to whom you may be referred. We will advise you of any conflicts of interest, should they arise. In the event we are offered or receive a referral fee or any other form of compensation from another professional to whom you may be referred, such arrangement will be disclosed to you, in writing.

Option #2

We have a conflict of interest. [*Insert description of conflict.*] We will advise you of any other conflicts of interest, should they arise. In the event we are offered or receive a referral fee or any other form of compensation from another professional to whom you may be referred, such arrangement will be disclosed to you, in writing.

Concluding Remarks

You will, of course, be free to follow or disregard, in whole or in part, any recommendations we make with respect to the monitoring or updating of your plan. You are under no obligation to act on any recommendation.

We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign one copy of this letter in the space provided and return it to us. The additional copy is for your files.

This engagement may be terminated without penalty or further obligation except for the payment of fees for services performed and expenses incurred prior to termination.

We agree that we will not assign this engagement without your prior written approval.

If we can be of assistance to you in any other way, please do not hesitate to contact us. We look forward to helping you develop and maintain a sound, businesslike approach to your personal financial affairs.

We thank you for the opportunity to be of service. We anticipate beginning the engagement sometime after [*insert date*]. If you have any questions, please call us at [*insert phone number*].

Very truly yours,

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[*Firm Name*]

*We agree to the terms of the engagement described in this letter.*

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[*Client Name*]

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[*Signature*]

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[*Date*]

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