

MODULE 5

FINANCIAL PLAN CONSTRUCTION

AND

PROFESSIONAL RESPONSIBILITIES

FINANCIAL PLANNING ASSOCIATION OF MALAYSIA

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FINANCIAL PLAN CONSTRUCTION AND PROFESSIONAL RESPONSIBILITIES

Course Objectives

The financial plan construction process needs to be meticulously considered. A systematic process to gather raw data, analyse the information, recommend strategies and eventually implementing the plan is required in order to determine the clients' hidden and known objectives.

This module builds upon the foundations in financial planning and the knowledge requirements in Modules 1 to 3 of the CFP Certification Programme to enable the CFP professional to construct a comprehensive financial plan for a client. Therefore, it is vital for students to be familiar with all aspects of financial planning which includes risk management and insurance planning, tax planning, retirement and estate planning, investment planning as well as the general principles and good practices of financial planning.

Students must also ensure that they update themselves on the latest changes to the relevant laws and regulations relating to the different areas of financial planning.

At the end of this module, a student should be able to:

1. Determining the client's financial status by analysing and evaluating the client's information.
2. Developing and preparing a client-specific financial plan tailored to meet the goals and objectives of client, commensurate with client's value, temperament, and risk tolerance.
3. Implement and monitor the financial plan

Course Contents

Financial planning and the regulatory environment

- An overview of the regulatory framework for financial planning
- Enhance professionalism in financial planning
- Understanding the FPAM Code of Ethics and Practice Standards
- The fiduciary nature of the relationship between the financial planning professional and the client

Financial Planning Process

1. Establishing client-financial planning professional relationships
 - a. Explain issues and concepts related to overall financial planning process, as appropriate to the client
 - b. Explain services provided, the process of planning, documentation required
 - c. Clarify client's and financial planning professional's responsibilities
2. Gathering client data and determining goals and expectations
 - a. Obtain information from client through interview/questionnaire about financial resources and obligations
 - b. Determine client's personal and financial goals, needs and priorities
 - c. Assess client's values, attitudes and expectations
 - d. Determine client's time horizons
 - e. Determine client's risk tolerance level
 - f. Collect applicable client records and documents
3. Determining the client's financial status by analysing and evaluating the client's information
 - A. General
 - a. Current financial status (e.g., assets, liabilities, cash flow, debt management)
 - b. Capital needs
 - c. Attitudes and expectations
 - d. Risk tolerance
 - e. Risk management
 - f. Risk exposure
 - B. General Needs
 - a. Emergency funds
 - b. Children's education
 - c. Children's marriage
 - d. Buying real assets like home, car, durables, etc.
 - e. Future life style needs
 - C. Special needs
 - a. Divorce /remarriage considerations
 - b. Charitable planning
 - c. Adult dependent needs
 - d. Disabled child needs

- D. Risk management
 - a. Life insurance needs and current coverage
 - b. Disability insurance needs and current coverage
 - c. Medical insurance needs and current coverage
 - d. Long – term care insurance needs and current coverage
 - e. Homeowners insurance needs and current coverage
 - f. Motor insurance needs and current coverage
 - g. Other liability insurance needs and current coverage - professional, errors and omissions, directors and officers)
- E. Retirement
 - a. Current retirement plans
 - b. Retirement strategies
 - c. Available employee benefits
- F. Investments
 - a. Current investments
 - b. Current investment strategies and policies
- G. Taxation
 - a. Tax returns
 - b. Current Tax strategies
 - c. Tax compliance status
 - d. Current tax liabilities
- H. Estate planning
 - a. Estate planning documents
 - b. Estate planning strategies
- 4. Analyse Client Objectives, Needs and Financial Situation
 - a. Analysis of relevant information
 - b. Need for specialist advice
 - c. Issues that require further clarification
- 5. Developing and presenting the financial plan
 - A. Developing and preparing a client-specific financial plan tailored to meet the goals and objectives of client, commensurate with client's value, temperament, and risk tolerance, covering:
 - 1. Financial position
 - a. Current statement
 - b. Projected statement
 - c. Projected statement with recommendations

2. Cash flow
 - a. Projections
 - b. Recommendations
 - c. Projections with recommendations
3. Capital needs at retirement
 - a. Projections
 - b. Recommendations
 - c. Projections with recommendations
4. Capital needs: projections at death, disability, general and special needs
 - a. Recommendations
 - b. Projections with recommendations
5. Income tax
 - a. Projections
 - b. Recommendations
 - c. Projections with strategy recommendations
6. Asset allocation
 - a. Statement
 - b. Strategy recommendations
 - c. Statement with recommendations
7. Investment
 - a. Recommendations
 - b. Policy statement
 - c. Policy statement with recommendations
8. Risk
 - a. Assessment
 - b. Recommendations
6. Implementing the financial plan
 - a. Assist the client in implementing and recommendations
 - b. Coordinate as necessary with other professionals, such as tax accountants, lawyers, investment advisors, insurance agents, etc.
7. Monitoring the financial plan
 - a. Monitor and evaluate soundness of recommendations
 - b. Review the progress of the plan with the client
 - c. Discuss and evaluate changes in client's personal circumstances
 - d. Review and evaluate changing tax law and economic circumstances
 - e. Make recommendations to accommodate new or changing circumstances