

ELEMENTS OF FINANCIAL PLANNER ENGAGEMENT LETTER



1. Scope of the Work/Engagement

- Make clear what you will do for the Client **AND** what you will not do for the Client under this Engagement.
- http://www.cfp.net/Downloads/CFP_Board_Sample_Disclosure_Forms.pdf

2. Identify who is your Client

- Make clear to whom you are engaged to provide services.
- If you are only providing services to one spouse and not to the other, make that clear.
- If you are providing services to both spouses, make that clear.
- In the event of a divorce or dispute between them, make clear that you will not represent one vs. the other.
- Make clear who you intend to be available to represent after a divorce or dispute.

3. Acquisition of Data

- Make clear to Client what data you need from Client to do your work for Client properly.
- Make sure the Client understands that his or her active cooperation and participation is an essential and required part of the process.



Acquisition of Data continued

- Client's current financial position (income, expenses, assets, and liabilities)
- Client's current planning position (documents providing for Client's employment fringe benefits, health insurance, life insurance, disability insurance, liability and property damage insurance, loans payable, loans receivable, wills, trusts, real estate and other asset holdings, tax returns and existing financial statements)
- Client's goals and objectives (education for self, spouse, children, etc., career/career changes, retirement, travel, estate, etc.) and
- Assumptions to use in the Planning Process (growth or shrinkage of income, expenses, asset values, liabilities, retirement age, lifestyle, health, etc.).

4. Analysis of Data with Assumptions and Projections – Correlation with Client’s Goals & Objectives – Recommendations to Correct any Imbalances in Correlation between Projections and Clients Goals and Objectives.



5. Presentation to Client of Analysis of Data with Assumptions and Projections – Correlation with Client’s Goals & Objectives - Recommendations to Correct any Imbalances in Correlation between Projections and Clients Goals and Objectives.

- In the typical initial planning engagement, the completion of Element 4 completes the engagement.
- Make sure engagement states clearly that this phase of the process concludes the engagement and if Client desires more, Client must enter into a new engagement.

6. Fees, Costs and Payment Terms

- Make clear the amount of the fee and any costs that the Client will be required to reimburse, as well as the payments terms.



7. Retainers and Fee Deposits

- Retainers and fee deposits are a good idea if you want to be the last man standing.
- But remember that retainers and fee deposits that you have not earned yet are not money that belongs to you.
- That money still belongs to the Client.
- Therefore, you should have a trust account in your name or your firm's name as trustee, so that cash in the trust account is separately identified and kept separate from your/your firm's cash and is not available to your creditors, so that you cannot get into trouble for stealing your Clients' money.

8. Advise the Client that there is no Financial Planner-Client Privilege

- Anything the Client tells you or gives you is discoverable by the government or any opposing party in litigation.
- If the Client insists on having his or her communications with you remain private and undiscoverable, advise the Client to consult with his or her attorney regarding this before he or she engages you because his or her lawyer may determine to engage you to consult with the lawyer as a team to assist the Client with his or her financial/tax/asset protection/estate planning.

9. Things Not to Do

- Don't overpromise so that you commit to things that you cannot or will not do.
- A limited amount of marketing is appropriate, thanking the Client for his or her confidence and trust in you, for engaging you, and promising to use your best efforts to help the Client develop a plan to achieve his or her goals and objectives, BUT don't overdo it.
- At best, overdoing it will appear insincere. At worst, it will create unreasonable expectations you may not be able to meet.
- Managing Client expectations is critical if you want to be the last man standing.

10. Things to Do

- If you are going to give tax advice, make sure you stay within the bounds of the scope of your certifications and disclaim anything beyond that.
- If you are not licensed to practice law, disclaim that you are giving legal advice and be careful not to give legal advice.
- Disclose any potential conflicts of interest you may have.
- Disclose your privacy policy, subject to legal disclosure requirements.