PERSONAL FINANCIAL PLANNING BODY OF KNOWLEDGE

Content specification outline for comprehensive PFS exam, PFS certificate exams and PFS experienced CPA assessment

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Questions?

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Introduction

The Personal Financial Planning Body of Knowledge (BOK) is an outline of the technical knowledge that a CPA financial planner should be expected to know to competently practice in personal financial planning. This BOK outline serves two purposes:

1) **For CPAs practicing or desiring to practice in personal financial planning**: It provides a roadmap for the various technical competencies that can guide professional development. Not all CPAs planners will be experts in all areas, but the BOK outlines the areas in which a fundamental level of knowledge is needed and emphasizes the interconnectedness of tax planning amongst all other areas of personal financial planning.

2) **For CPAs preparing for exams and assessments:** It provides a guide for exam takers to ensure they are studying appropriate topics for the PFS comprehensive exam, individual PFP certificate exams and the PFS experienced CPA assessment. The comprehensive PFS exam and experienced CPA assessment allocates a percentage of the total exam to each subject area so that exam takers have clear expectations. Exam takers can have confidence that this will accurately guide learning and test review as the BOK is used by:
   - authors of the AICPA's education courses to thoroughly cover all PFP topics in the education and certificate programs, and
   - authors of the AICPA's exam review materials to structure a systematic review for the exams, and
   - exam question writers to craft questions on the entire spectrum of PFP knowledge for the comprehensive PFS exam, the individual PFP certificate exams and the PFS experienced CPA assessment.

Income tax planning and integration of topics within the PFP body of knowledge

Individual income tax planning is an integral part of personal financial planning. In the past, the Personal Financial Planning (PFP) Body of Knowledge included tax as a separate major topic. This approach did not adequately demonstrate the integration of income tax planning within the individual topics throughout the PFP Body of Knowledge. In response to this, the current PFP Body of Knowledge now addresses individual income tax planning in the following manner:

- Each major section includes one or more sub-topics labeled "Taxation and Income Tax Planning" which highlights the key tax planning considerations at relevant points in that section.
- Foundational Financial Planning Concepts (section #3) includes the sub-topic "General Income Tax Planning and Liability Management" covering general tax planning topics not specifically related to a specific area within personal financial planning.

To further emphasize the integrated nature of personal financial planning, each major topic within the PFP Body of Knowledge (BOK) has been updated with a sub-topic labeled "Integration with Other Areas of Personal

Financial Planning". This section identifies ways in which this topic impacts other major topics in the BOK. This underscores the importance of considering the impact that changes in one area can have in other parts of a client's financial plan and the responsibility to make decisions that are in the client's best interest.

Three ways to earn the CPA/PFS credential

The standard pathway

- 3,000 hours of PFP-related experience over the last five years (up to 1,000 hours of this can be tax compliance)
- 75 hours of PFP-related education required (can utilize education from certificate program) over the last five years
- Comprehensive 5-hour PFS exam at testing centers nationwide

The certificate pathway

- 3,000 hours of PFP-related experience within the last five years (up to 1,000 hours of this can be tax compliance)
- Earn each of the 5 PFP certificates (more details described below)
  - ✓ Each has 14-20 hours of online CPE (modules are 2-4 hours each)
  - ✓ Complete 4, 100-minute web-proctored exams within each course on your own computer
- Passing the 5 certificates (with the education) will meet both the education and exam requirements of the CPA/PFS credential within a five-year period.

The experienced pathway

- 7,500 hours of PFP-related experience within the last seven years (up to 2,000 hours of this can be tax compliance)
- 105 hours of PFP-related education within the last seven years is required of which 13 hours needs to be earned from the PFS Experienced CPA Education course.
- Pass the PFS experienced CPA assessment which is a 100-minute web-proctored exam.

Which pathway should I take?

The standard pathway allows you to take the entire exam in one sitting, completing the credential requirements sooner and with less expense.

The certificate pathway allows you to study for and take shorter exams, one at a time, making it more convenient and flexible, but taking a longer period of time, with a greater overall cost.

The experienced pathway takes into consideration the additional years of experience and allows you to take the assessment in one sitting, making it the most cost-effective approach for experienced practitioners.

Summary of CPA/PFS requirements

PATHWAY	TIMING	EXPERIENCE	EDUCATION	EXAMINATION
Standard Pathway	Completed within 5 years of PFS application	3,000 hours of PFP-related experience (up to 1,000 hours can be tax compliance)	75 hours of PFP-related CPE	5 hour online or test center exam
Certificate Pathway			5 certificates totaling 90 hours of CPE	4 online certificate exams
Experienced Pathway	Completed within 7 years of PFS application	7,500 hours of PFP-related experience (up to 2,000 hours can be tax compliance)	105 hours of PFP-related CPE (including PFS Experienced CPA Education course)	1 online case study-based assessment

PFP certificate programs

Program	PFP body of knowledge topics	Format and CPE	Exam
Retirement Planning Certificate	• Retirement planning • Elder planning	Optional*, online CPE, 6 modules totaling 18.5 hours	60 question, 100-minute certificate exam
Investment Planning Certificate	• Investment planning • Education planning	Optional*, online CPE, 8 modules totaling 20 hours	60 question, 100-minute certificate exam
Risk Mgmt. and Insurance Planning Certificate	• Risk management and insurance planning • Employee and business owner planning	Optional*, online CPE, 8 modules totaling 20 hours	60 question, 100-minute certificate exam
Estate Planning Certificate	• Estate planning • Charitable planning	Optional*, online CPE, 8 modules totaling 19 hours	60 question, 100-minute certificate exam
PFP Practical Applications Certificate**	• Planning process • PFP standards and reg/leg environment • Fundamental concepts • Integrated case studies	Required, online CPE, 5 modules totaling 13 hours	No certificate exam, certificate is awarded after completion of required education

**Optional – Taking the AICPA online education is not required to sit for the certificate exam. The certificate will be granted when the certificate exam is passed. An experienced practitioner can depend on their experience if they desire and simply take the certificate exam. However, the education does include all of the topics in the PFP body of knowledge and increases both your competence and probability of passing the exam. In addition, for the PFS*

certificate pathway, at least 75 cumulative hours needs to be taken while obtaining the certificates to meet the CPA/PFS credential requirements.
*** Taking the PFP Practical Applications Certificate Course also counts as the required education needed for the experienced pathway and the experienced CPA assessment. More information on the PFS Experienced CPA Pathway can be found here.*

For more information on the PFP Certificate Programs, go to pfpcert.aicpastore.com.

Strategies for success on the exams

Comprehensive PFS exam

- 160 multiple-choice questions are administered over a five-hour period, including time for up to a thirty-minute break taken at one of many nationwide testing centers. A list of locations can be found at www.aicpa.org/pfsexam.
- Questions average 1.8 minutes per question and will test higher-level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Questions are all multiple-choice questions. Approximately 50% are individual standalone questions, 25% are item sets (short client data followed by 3 to 5 multiple choice questions over different topic areas), and 25% are case studies (practical comprehensive situation followed by 11 to 18 multiple choice questions over different topical areas).
- The PFS exam is a comprehensive exam with random topic sequencing of questions.
- Exam preparation strategies
    - An examinee should anticipate significant pre-exam preparation time in the range of 200 hours depending upon previous practice and academic knowledge.
    - Spread preparation over several months.
    - Expertise in one area of the exam will not result in passing the examination.
    - Be well-rested before the examination.
    - Bring a financial calculator to the exam. No programmable calculators are allowed. A list of acceptable financial calculators is located at www.aicpa.org/pfsexam.

PFP certificates exam

- 60 multiple-choice questions, many featuring typical client scenarios, are administered over a 100-minute period.
- The exam is taken on the examinee's computer using a webcam (laptop or external) to allow a web-based proctor to oversee the exam.
- Questions will test higher-level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Questions for each exam relate specifically to the body of knowledge topics that are covered by each certificate.

PFS experienced CPA assessment

- 60 multiple-choice questions are administered over a 100-minute period.
- The exam is taken on the examinee's computer using a webcam (laptop or external) to allow a web-based proctor to oversee the exam.
- Questions will test higher-level thinking in financial planning emphasizing application, analysis, synthesis, and evaluation.
- Questions test the application of the body of knowledge topics to the case studies that are covered in the PFS Experienced CPA Education.

Other suggestions

- Experience in financial planning and test-taking skills are anticipated to benefit the examinee.
- Know the financial calculator for the comprehensive PFS exam; time value factor tables will not be provided in the comprehensive PFS exam.
- Allocate most of your study time towards topics with less familiarity.
- During the exam:

- Read questions carefully. Questions will not be written to be "tricky," but all wording and information in each question will be important.
- Questions may appear to have more than one right answer to the under-prepared test-taker, but one answer will be the best recommendation.
- Don't "sit and think" about one question too long, move on to the ones you know and come back to the others at a later time. You will earn points for correct answers and will not lose points for incorrect answers.

High-level body of knowledge outline

1. Personal financial planning process (7-11%)

A. Elements of the overall planning process
B. Understanding the client and building rapport
C. Application of behavioral techniques to client relationships
D. Gathering data: establishment of financial objectives and identification of constraints
E. Life-planning

2. Professional responsibilities and the legislative and regulatory environment (7-11%)

A. Professional standards – AICPA
B. Regulatory landscape
C. Fiduciary practices
D. Professional liability and compliance
E. Engagement letters

3. Foundational financial planning concepts (7-11%)

A. Assumptions
B. Cash management strategies
C. Debt management strategies - financing asset acquisitions
D. General income tax planning and liability management
E. The economic environment impact on planning decisions
F. Consumer protection issues
G. Banking

4. Estate planning (11-14%)

A. Fundamentals of estate planning
B. Basic estate planning process
C. Basic estate planning documents
D. Trusts
E. Basic estate planning strategies
F. Gifting strategies
G. Advanced estate planning strategies
H. Generation-skipping transfer tax (GSTT)
I. Closely held business issues
J. Incapacity planning
K. Postmortem estate planning
L. Other estate planning considerations
M. Taxation and income tax planning
N. Integration with other areas of personal financial planning

5. Charitable planning (4-6%)

A. Charitable gifts
B. Charitable trusts and planning tools
C. Taxation and income tax planning
D. Integration with other areas of personal financial planning

6. Risk management planning (11-14%)

A. The risk management process
B. Professional environment
C. Purpose of insurance and needs analysis
D. Legal elements of insurance contracts
E. Life Insurance types and applications
F. Annuities
G. Disability insurance
H. Property and casualty insurance
I. Medical expense insurance
J. Long-term care insurance

7. Employee and business owner planning (4-6%)

A. Executive compensation and arrangements
B. Equity compensation plans
C. Deferred compensation
D. Group insurance
E. Other employee benefits
F. Closely held business basics

8. Investment planning (11-14%)

A. Investing as a process
B. Professional environment
C. The planning phase
  1. Determine and prioritize client goals
  2. Gather information
  3. Perform financial analysis
  4. Develop the investment policy statement (IPS)
D. The implementation phase
  1. Investment manager selection
  2. Portfolio management basics
  3. Research organizations
  4. Types of investment vehicles
  5. Investment strategies
  6. Investment valuation
E. The monitoring and updating phase
  1. Measuring performance and goal achievement
  2. Re-evaluation of the IPS
  3. Rebalancing the portfolio (as discussed in the IPS)
  4. Coordinating with the client's financial advisors and representatives
F. Integration with other areas of personal financial planning

9. Retirement and Financial Independence Planning (11-14%)

A. Financial independence planning process
  1. Determine and prioritize client goals and related expenses
  2. Assumptions and risks for retirement planning
  3. Gather information
  4. Perform financial analysis
  5. Impact of special needs children/adults on retirement planning
  5. Create and present the proposed retirement plan
  6. Supplemental engagements
B. Key Retirement Building Blocks
  1. Social Security (Old Age, Survivor, and Disability Insurance, OASDI)
  2. Retirement plans and IRAs
  3. After-tax retirement savings options

10. Elder, special needs, and chronic illness planning (5-7%)

- A. Professional environment
- B. Non-financial factors
- C. Financial decisions
    1. Personal finances
    2. Housing decisions
    3. Healthcare decisions
- D. Estate planning considerations
    1. Definition of incapacity
    2. Powers of attorney
    3. Guardianship and conservatorship
    4. Revocable living trust
    5. Asset shifting
- E. Taxation and income tax planning
- F. Integration with other areas of personal financial planning

11. Education planning (3-5%)

- A. Education planning process
- B. Gather objectives, needs, and costs
- C. Assess potential for financial aid
- D. Assess funding methods
- E. Assess factors to consider and funding strategies
- F. Taxation and income tax planning
- G. Integration with other areas of personal financial planning

12. Special situations (2-4%)

- A. Housing
- B. Divorce
- C. Household employees

1. Personal financial planning process

A. Elements of the overall planning process

1. Planning the PFP engagement
2. Obtaining and analyzing information
3. Developing and communicating recommendations
4. Implementation engagements
5. Monitoring and updating engagements

B. Understanding the client and building rapport

1. 11 components of active listening
2. Verbal and non-verbal cues
3. Context
4. Intuitive abilities
5. Behavioral biases and heuristics
6. Socratic questioning methods
7. Use of behavioral assessment tools

C. Application of behavioral techniques to client relationships

NOTE: This topic is an important component for maintaining effective client relationships, however, because it cannot be examined effectively, it will not be tested on the multiple choice PFS credential, PFP certificate exams or the PFS experienced CPA assessment.

1. During initial discovery/early client meetings
    a. Focus on the immediate issue, what's not working, and what a fix would look/feel like
    b. Shift focus to the client and their aspirations to direct the process and identify the 1-3 things that inspire them
2. Throughout client engagement
    a. Establish a life planning focus while addressing the immediate need
    b. Utilize open-ended questions
    c. Listen actively
    d. Communicate comprehension of, and empathy with, client's situation
3. Handling conflict

    a. Managing difficult clients
    b. Managing expectations
        1. Client
        2. Adviser
    c. Understanding family dynamics
        1. Discerning how relationships between family members affect the financial planning process
        2. Facilitating discussions and decisions among family members

4. Financial planner's attitude
    a. Controlling emotions evoked by client words and actions
    b. Refraining from projecting adviser's biases/values into a client situation
        1. Views on longevity and planning
        2. Attitudes on gifting – can range from spoiling heirs to giving them very little
        3. Advisory philosophy
    c. Recognizing and altering one's own communication style for different types of clients
        1. Client types such as older clients, millennials, etc.
        2. Communication styles
            a. Simplifying conversations
            b. Pacing conversation
            c. Setting length of meetings based on attention span
            d. Summarizing versus detailing explanation of the reasoning
            e. Allowing time for clients to validate your approach

5. Diagnosing client situations
    a. Recognizing declining cognitive ability
    b. Assessing client conflict
    c. Identifying addictive behavior
        1. Substance abuse
        2. Over-spending
        3. Entitlement as an excuse for reckless decision-making

    d. Using key life events when client is more likely to be open to discussion
        1. Entrances – marriage, birth, new business
        2. Exits – death, divorce, business sale/dissolution

        3. Understanding ethical responsibilities at these vulnerable times
    e. Recognizing behavioral models representing different capacity and tolerance of risk

6. Client communication
    a. Understanding how clients prefer to be communicated with and recognizing differences based on gender and age
    b. Assessing technology capabilities of clients
    c. Including appropriate family members in the communication process

D. Gathering data: establishment of financial objectives and identification of constraints

1. Qualitative issues
    a. Client goal setting
        1. Overall client suitability: family disagreements on goals and risks
        2. Life cycle approach: accumulation, consolidation, spending, gifting
        3. Time horizon: near or long-term
        4. Client priorities: low or high priority
        5. Impact of client macro factors: closely held businesses and overall individual/family goals
    b. Client's financial attitudes
        1. Level of confidence and method of action
        2. Attitude toward money and use of financial resources
        3. Biases
    c. Methods of dealing with client biases. Client lifestyle and human capital risks
        1. Employment risk
        2. Volatility of income
    d. Client's health and other preferences

2. Quantitative issues
    a. Goal quantification
        1. Dollar specific
        2. Time specific
    b. Financial statement analysis
    c. Current income and spending patterns
    d. Cash flow planning
    e. Business considerations

f. Financial independence, including retirement

g. Other income or cash flow sources

h. Charitable and legacy desires for the future

E. Life-planning

1. Understanding life planning goals and purpose
2. Applying life planning principles in the financial planning process

2. Professional responsibilities and the legislative and regulatory environment

A. Professional standards – AICPA

1. AICPA Code of Professional Conduct
    a. Integrity
    b. Objectivity
    c. Competence
    d. Fairness
    e. Confidentiality
    f. Professionalism
    g. Diligence
    h. Unauthorized practice of law
2. Statement on Standards in Personal Financial Planning Services No. 1
    a. Scope
    b. Applicability
    c. Objective
    d. Authority of the statement
    e. Requirements
3. Statements on Standards for Accounting and Review Services, No. 6
4. Statement on Standards for Consulting Services, No. 1
5. Statement on Standards for Valuation Services, No. 1
6. Statements on Standards for Tax Services, No. 7

B. Regulatory landscape

1. Legislation and regulations
    a. Securities Act of 1933
    b. Securities Exchange Act of 1934
    c. Investment Advisers Act of 1940
        1. Accountant's Exclusion
    d. Investment Company Act of 1940
    e. Tax Cuts and Jobs Act of 2017 (TCJA)
    f. IRS Circular 230

2. Governing bodies
    a. Securities and Exchange Commission (SEC)
    b. Financial Industry Regulatory Authority (FINRA)
    c. State securities regulators
3. Insurance regulatory environment
    a. Licenses required to sell insurance
    b. General concepts of state regulation

C. Fiduciary practices

1. Fiduciary Duty
    a. Definition of fiduciary
    b. Fiduciary duty toward client
2. Significant legislation
    a. Prudent Man Rule (1830)
    b. Investment Advisers Act of 1940
    c. Employee Retirement Income Security Act of 1974
    d. Uniform Prudent Investors Act (1994)
3. Significant Supreme Court decision(s)
4. AICPA Code of Professional Conduct and Statement on Standards in Personal Financial Planning Services No. 1
    a. Application to personal financial planning

D. Professional liability and compliance

1. Engaging a compliance consultant
2. Errors and omissions insurance

E. Engagement letters

1. Importance of well-defined engagement
2. Professional standards
3. Specific personal financial planning issues
4. Investment management services
5. Limits on the scope of representation
6. Closing letter at end of representation

3. Foundational financial planning concepts

A. Assumptions

1 Should be reasonable and realistic
   a. General rate of inflation
   b. Escalation rate for unique inflows and outflows
   c. Investment rate of return
   d. Longevity
   e. Tax rates
   f. Client-directed assumptions
2. Documentation of assumptions
   a. Impact of assumptions on meeting financial goals
   b. Time Value of Money
      1. Present value and future value of lump sum
      2. Ordinary annuity and annuity-due payment streams
      3. Serial payments
      4. Uneven cash flows
      5. Net present value and internal rate of return
3. Financial statements
   a. Business financial statement(s), and their impact on the personal statement of financial position
   b. Application of financial ratios and benchmarks
      1. Liquidity
      2. Savings
      3. Housing expenses

B. Cash management strategies

1. Personal statement of cash flows / spending plan
   a. Factors impacting development of appropriate plan
   b. Issues affecting implementation of plan
2. Emergency fund
   a. Based on unique financial needs
   b. Based on unique risk tolerance and other behavioral characteristics

3. Invested in liquid asset(s)

   (*Refer to Banking / Deposit Accounts in this topic)*

4. Savings strategies
   a. Paying yourself first
   b. Saving systematically

C. Debt management strategies - financing asset acquisitions

1. Consumer debt
   a. Secured vs. unsecured debt
   b. Credit card
   c. Unsecured line of credit
   d. Loan
   e. Fixed rate vs. adjustable rate debt
2. Mortgage financing
   a. Types of mortgages
   b. Home equity loan
   c. Refinancing
   d. Reverse mortgage(s)

      (*Refer to the Elder, Special Needs and Chronic Illness Planning topic area)*
3. Buying with debt vs. leasing/renting
   a. Automobile
   b. Personal residence

D. General income tax planning and liability management

1. Deferral techniques
2. Deduction techniques
   a. Accelerating deductions
   b. "Bunching" of deductions into a single tax year
3. Income shifting techniques
   a. Gifting strategies to manage overall family tax liability
   b. Kiddie-tax rules
4. Application of strategies in estate planning, investment planning, and retirement planning

(Refer to the Taxation and Income Tax Planning topics in each of the other sections throughout the PFP Body of Knowledge)

E. The economic environment impact on planning decisions

1. Business cycles
2. Inflation
3. Interest rates
4. Monetary and fiscal policy

F. Consumer protection issues

1. Privacy issues
    a. Legal requirements
    b. Professional requirements
2. Identity theft
    a. Common methods of appropriating identity
    b. Protections against identity theft
3. U.S. Federal Trade Commission's Bureau of Consumer Protection

G. Banking

1. Types of Banks
    a. Commercial
    b. Investment
    c. Private
2. Deposit Insurance
    a. Federal Deposit Insurance Corporation (FDIC)
    b. National Credit Union Administration (NCUA)
3. Deposit accounts
    a. Savings
    b. Checking
    c. Money Market Deposit Account
    d. Certificates of Deposit
4. Other services
    a. Credit cards
    b. Mortgages
    c. Insurance

d. Investments
e. Personal loans

4. Estate planning

A. Fundamentals of estate planning

1. Understanding the unified system
    a. Gift tax
    b. Estate tax
    c. Generation-skipping transfer tax (GSTT)
2. Lifetime versus testamentary transfers
3. Applicable credit amount
4. Marital deduction
5. Charitable deduction
6. Annual exclusion gift
    a. Qualifying transfers
    b. Crummey power
7. Basis step-up (IRC Section 1014)
    a. Income in respect of a decedent
    b. Revisionary gift transfers within one year of death
    c. Basis consistency reporting
8. Portability
    a. Basic exclusion amount
    b. No portability of GSTT exemption
9. Intestacy
10. Probate
11. Impact of property ownership and beneficiary designation

B. Basic estate planning process

1. Gathering data
    a. Financial information
    b. Existing documents and current estate plan
2. Interviewing client and communication
    a. Identifying client goals
    b. Impact of family values

3. Preparing estate planning balance sheet
4. Calculating estate tax
    a. Gross estate
        1. Items included
        2. Items excluded
    b. Deductions from gross estate
    c. Federal estate tax calculation
    d. Income in respect of a decedent (IRD)
    e. State estate and inheritance tax
    f. Credits
        1. Gift tax payable
        2. Applicable credit amount
        3. Prior transfer credit
    g. Treatment of adjusted taxable gifts
    h. Portability
5. Determining liquidity and survivor sufficiency needs
6. Recommend strategies
7. Implementation

C. Estate planning documents

1. Wills
2. Beneficiary designation forms
3. Advanced health care directive(s)
    a. Healthcare power of attorney
    b. Living will
    c. Physicians orders such as AND, DNR, etc.
4. Financial power of attorney
    a. General power
    b. Springing power
    c. Durable power
5. Electronic documents and storage

D. Trusts

1. Types of trusts
    a. Inter vivos and testamentary
    b. Revocable and irrevocable
    c. Simple and complex
    d. Grantor
    e. Marital and credit shelter
    f. Incomplete non-grantor trusts
    g. Charitable remainder trusts and charitable lead trusts *(see Charitable planning topic)*
    h. Special needs trusts *(see Elder & Special Needs Planning topic)*
2. Choice of fiduciary
    a. Importance and implications
    b. Corporate trustee / custodians / investment adviser / trust protector
    c. Disclosure versus confidentiality
3. Timing of distributions to beneficiaries
4. Powers of appointment
    a. General
    b. Limited powers
5. Goals that trusts can achieve
    a. Avoid probate
    b. Plan for the potential of incapacity
    c. Achieve charitable intentions while addressing other needs
    d. Clearly address divorce and other family issues
    e. Creditor protection
    f. Maintain privacy
    g. Assist with business transitions
6. Use with asset protection planning, estate tax planning, and generation skipping transfer tax planning
    a. Minority and marketability discounts – Rev. Rule 93-12
7. Temporal discounts (based on the passage of time)

E. Basic estate planning strategies

1. Credit shelter trust to maximize use of applicable credit amount

a. Requires careful consideration of amounts transferred to these trusts after TCJA

b. Protects against taxation of future appreciation – but no future basis adjustment

2. Marital trust or outright transfer to surviving spouse
3. Qualified disclaimers
4. Charitable trusts
5. Portability
6. State Planning – out of state assets

F. Gifting strategies

1. Annual exclusion gifts
2. Present versus future interest (gifts)
3. Payment of medical or education expenses to avoid federal gift tax
    a. directly to the provider
    b. accelerated 529 plan contributions
4. Gift splitting
5. Interest free and applicable federal rate (AFR) loans
6. Use of the applicable credit
7. Installment sales to family members
8. Self-cancelling installment notes (SCINs)
9. Private annuities to family members
10. Gifts and trusts
11. Assignments of income rules
12. Asset sales to family members
    a. Related party transaction rules
    b. Bargain sales
13. Installment sale rules and elections
14. Federal / State Strategies

G. Advanced estate planning strategies

1. Family entity
2. Grantor retained annuity trust (GRAT)
3. Qualified personal residence trust (QPRT)
4. Charitable trust *(see Charitable planning topic)*

5. Sales to Intentionally defective grantor trust (IGDT)

H. Generation-skipping transfers (GSTT)

1. GSTT planning
    a. Skip person
    b. Direct skip
    c. Taxable distribution
    d. Taxable termination
2. GSTT exemption
3. GSTT annual exclusion
    a. Outright transfers
    b. Qualified transfers
    c. Transfers in trust (transfers of a future interest)
4. Special exceptions
    a. 2010 gifts to trusts for skip persons

I. Closely held business issues

(See also Employee and Business-Owner Planning / Closely Held Business Basics topic)

1. Valuation issues
    a. Special valuation under IRC Section 2032A farm and real estate
2. Family succession planning
    a. Business continuation agreements
3. Active vs. non-active owners
4. Buy-sell agreements
    a. Entity (redemption) agreement
    b. Cross purchase agreement
    c. Wait and see buy sell
    d. Common terms
    e. Funding options

J. Incapacity planning

1. Use of powers of attorney in planning for capacity
2. Use of revocable trusts

3. Hedging incapacity risk
    a. Disability insurance
    b. Long-term care insurance

K. Postmortem estate planning

1. The qualified terminable interest property (QTIP) election
2. Income and estate tax elections of the executor
3. IRC Section 303 redemptions
4. IRC Section 6166 deferrals of estate tax
5. Disclaiming an inheritance

L. Other estate planning considerations

1. Options for the non-citizen spouse
    a. Limitations on marital deduction
    b. Qualified Domestic Trusts (QDOTs)
2. Expatriate issues
    a. Non-resident spouse
    b. Estate/gift taxation
3. Planning for blended family relationships
4. Cohabitation
5. Adoption
6. Previous relationships
7. Domiciles – past, present, and future
    a. Community property
    b. State estate and inheritance tax
8. Pets - planning for their ongoing needs

M. Taxation and income tax planning

1. Income in respect of a decedent (IRD) property
    a. Traditional retirement assets
        1. Qualified plan assets
        2. Non-qualified assets
        3. Individual Retirement Accounts

4. Primary exceptions
    a. Surviving spouse
    b. Disabled and chronically ill individuals
    c. Minors (until they reach the age of majority)
    d. Beneficiaries who are within 10 years age of the decedent

b. Royalties

c. Equity compensation
    1. Employee stock options
    2. Restricted stock units
    3. Net unrealized appreciation (NUA)
    4. Other

d. Annuities

e. Roth IRAs

N. Integration with other areas of personal financial planning

1. Risk management planning – life insurance
    a. Gift, estate, and generation-skipping transfer tax consequences
    b. Irrevocable life insurance trusts (ILIT)
    c. Intentionally defective grantor trusts (IDGT)

2. Retirement and financial independence planning
    a. Coordination of beneficiary designations with heirs in the estate plan

3. Elder, special needs, and chronic illness planning
    a. Appropriate use of trusts to protect the estate from health care costs

4. Charitable planning
    a. Use of charitable trusts to zero out estate tax

5. Charitable planning

A. Charitable gifts

1. Cash
2. Property
    a. Real estate
        1. Fee simple
        2. Remainder gift of residence
        3. Conservation easement
    b. Personal property
        1. Art and jewelry
        2. Automobiles
        3. Clothing and qualified housing items
        4. Related use tax matters
    c. Ordinary income property
    d. Appreciated capital assets
        1. Publicly held securities
        2. Privately held securities
        3. Short-term vs. long-term
        4. Life Insurance
            a. Wealth replacement trust
            b. Beneficiary designation
                1. Revocable vs. irrevocable
            c. Life settlement
            d. Premium financing/life settlement programs

B. Charitable trusts and planning tools

1. Types of trusts
    a. Charitable lead trusts (CLT)
        1. Unitrust
        2. Annuity trust
        3. Grantor vs. non-grantor
    b. Charitable remainder trusts (CRT)
        1. Unitrust

        2. Annuity trust
    c. Pooled income fund

2. Charitable trust planning
    a. Inter vivos
    b. Testamentary
    c. Applicable federal rates (AFR)
    d. Impact of interest rate on remainder interest

3. Other charitable vehicles
    a. Private foundation
    b. Donor advised fund
    c. Charitable gift annuity

C. Taxation and income tax planning

1. Application of limitations
    a. Individuals
        1. 60% limit
        2. 50% limit
        3. 30% Limit
        4. 20% Limit
    b. Corporations
    c. Trusts and estates
    (*See Employee and Business Owner planning / Closely Held Business Basics*)

2. Carry forward rules
3. Tax impacts of transfers
    a. Qualified (IRC) Section 501(c)(3) organizations
    b. Foreign charities
    c. Property donations
    d. Donor advised funds

4. Qualified charitable distribution (QCD) to count as or toward RMD.
5. Requirements for qualified appraisals
6. Estate and income tax planning much more interconnected since TCJA

D. Integration with other areas of personal financial planning

1. Estate planning
    a. Qualified charitable gifts
    b. Qualified charitable transfers at death
2. Risk management planning
    a. Designation of charitable organizations as beneficiaries
3. Retirement and financial independence planning
4. Investment planning
    a. Impact on the asset allocation plan of charitable organizations as an ultimate recipient or beneficiary of an investment account

6. Risk management planning

A. The risk management process

1. Identification of potential loss exposures
2. Assess severity of loss
    a. Frequency
    b. Severity
3. Selection and application of appropriate risk management techniques
    a. Avoidance
    b. Prevention
    c. Retention
    d. Transfer
4. Implementation
5. Monitoring and reviewing

B. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for more information)

1. Regulatory environment
2. Professional responsibilities
    a. Statement on Standards in Personal Financial Planning Services No. 1
    b. Importance of fiduciary standard for CPA financial planners
3. Carrier environment
    a. Choosing between insurance carriers and using ratings
    b. Differences between an agent and a broker
    c. Compensation methods
        1. Traditional – commission based
        2. No load
        3. Consultation fees
        4. Disclosure requirements vary by state
        5. Applicability of AICPA standards on personal financial planning

C. Purpose of insurance and needs analysis

1. Life insurance

a. Uses
1. Income replacement and specific expenses
2. Final expense protection
3. Debt liquidation
4. Funding goals
b. Income needs analysis
c. Capital retention
d. Human life value

2. Disability insurance
a. Uses: income replacement
b. Calculation of amount needed

3. Other insurance
a. Uses for indemnity and asset protection
b. Cost-benefit proposition

D. Legal elements of insurance contracts

1. Insurable interest
2. Principle of indemnity
a. Reducing moral hazards

3. Subrogation
4. Principle of utmost good faith
a. Representations/misrepresentations
b. Concealment
c. Warranties

5. Conditions of a contract
a. Offer and acceptance
b. Consideration
c. Competent parties
d. Legal purpose

6. Characteristics of the insurance contract
a. Aleatory contract
b. Unilateral contract

c. Conditional contract

d. Contract of adhesion

7. Policy provisions

a. Free look period

b. Grace period

c. Incontestability clause

d. Suicide clause

8. State laws (concepts, not state-specifics)

a. Creditor protection

b. Rebating

E. Life Insurance types and applications

1. Types of life insurance

a. Group life insurance (IRC Section 79)

(See Employee and Business-Owner Planning / Group Insurance topic for more information)

b. Individual life insurance

1. Features

a. Premium guarantee

b. Conversion

c. Waiver of premium

1. Relationship to disability

(See Disability Insurance topic for more on disability insurance)

d. Return of premium

e. Cost of living rider

f. Guarantee purchase option

g. Accidental death benefit

h. Accelerated death benefit

2. Underwriting factors

a. Age

b. Gender

c. Health status

d. Tobacco use

e. Occupation

        - f. Avocations
        - g. Travel
        - h. Family history
        - i. Economic considerations
            - 1. Net worth
            - 2. Income
            - 3. Credit history
        - j. Rate classes
            - 1. Preferred
            - 2. Standard
            - 3. Rated
    - 3. Term life insurance
        - a. Annual renewable term (ART)
        - b. Level premium
        - c. Re-entry term
    - 4. Credit life insurance
    - 5. Permanent life insurance
        - a. Individual policies versus joint policy
            - 1. Survivorship (second-to-die)
            - 2. First-to-die
        - b. Whole life
            - 1. Non-participating
            - 2. Participating (dividend paying)
            - 3. Current assumption
        - c. Universal life (UL)
            - 1. Traditional
            - 2. Variable
            - 3. Guaranteed
            - 4. Index
        - d. Limited payment
        - e. Single premium
        - f. Private placement
        - g. No load/low load policies

6. Key Features and Issues
    a. Optimal design
        1. Blended
        2. Funding period
        3. Cash build up
        4. Corridor factor
    b. Funding and withdrawals
        1. Modified endowment contract (MEC) limits
        2. Premium financing
        3. Withdrawals and effect on policy
        4. Loans
            a. Participating
            b. Non-participating
            c. Loan spread
    c. Non-forfeiture options
        1. Cash
        2. Reduced paid up
        3. Extended term
    d. Settlement options
        1. Cash
        2. Fixed amount
        3. Fixed period
        4. Annuity option
    e. Other planning issues (IRC 101)
        1. Viatical settlements
        2. Life settlements
        3. Accelerated death benefits

2. Practical aspects of life insurance
    a. How to read an illustration
        1. Life Insurance Illustrations Model Regulation
    b. How to perform an annual review
    c. What to look for on a proposal
    d. How to compare products/carriers

1. In-force ledger statements
2. Interested-adjusted net surrender cost method
3. The Baldwin method

e. Impact of 2001 Standard Ordinary Mortality Table

3. Taxation and income tax planning (IRC Section 101 and 7702)

a. Impact of ownership

b. Group premium taxability

c. Inside build up and FIFO taxation

d. Dividends

e. Death benefit

f. Settlement and rider taxability

g. Policy loans

h. Modified endowment contract rules

1. Guideline premium test
2. Cash value accumulation test (corridor)

i. Transfer for value rules (IRC Section 101(a)(2))

j. IRC Section 1035 exchanges

4. Integration with other areas of personal financial planning

a. Estate planning

1. Ownership and beneficiary issues

a. Transfers to trust – three-year lookback rule

b. Spouse/unlimited marital gifts

c. Children/estate taxation

d. Gifting issues/limitations (IRC Section 2035)

1. Crummey provisions

2. Liquidity
3. Estate enhancement
4. Wealth replacement
5. Charitable giving

b. Investment planning

1. "Alternative investments" description not allowed by National Association of Insurance Commissioners (NAIC)
2. Considered for the asset allocation plan

a. Life insurance policies held

b. Use of securitized pools of life and viatical settlements

3. Awareness and use of modified endowment contracts

c. Retirement and financial independence planning

1. Pension maximization

2. Application of cash value as tax favorable savings vehicle for retirement or education

a. Compare to buy term/save difference

b. Impact on insurance provided if used for producing income

c. Use of viatical settlements

d. Charitable planning

1. Naming charities as beneficiaries

2. Gifting or bequeathing contracts to charities

F. Annuities

1. Types

a. Immediate vs. deferred annuities

b. Traditional vs. private placement

c. Private annuities

d. Fixed/variable/equity indexed

e. No load/low load

f. Charitable gift annuities

g. Annuitant-driven vs owner-driven (impact on death benefit and taxation)

2.IRC Section 1035 exchanges

3. Annuity options

a. Cash

b. Life annuity without refund

c. Life annuity with period certain payments

d. Installment refund option

e. Joint and survivor option

4. Creditor protection

a. State-specific (concepts only)

b. Owner-driven rules

5. Taxation and income tax planning (IRC Section 72)

a. Early withdrawal penalty

b. Taxation of withdrawals or partial surrenders

c. Expected return/exclusion ratio

d. Income in respect of a decedent (IRD)

e. Taxation of total distributions and death benefit

f. Tax treatments may vary by contract, i.e. LIFO and other beneficial tax treatments

6. Integration with other areas of personal financial planning

a. Investment planning

1. Inclusion in the asset allocation plan

2. Use in reducing portfolio risk and volatility

b. Retirement and financial independence planning

1. Impact on withdrawal and cash flow decisions

2. Use in addressing longevity risk

c. Estate planning

1. Ownership considerations - inclusion in the estate

2. Valuation

d. Charitable planning

1. Gifting

2. Beneficiary arrangements

G. Disability insurance

1. Sources of disability compensation

a. Types of insurance policies

1. Short-term vs. long-term

2. Group vs. individual

3. Employer provided

4. Association plans

5. Fraternal organization

b. Government programs

1. Workers Compensation

2. Social Security Disability

2. Policy definitions

a. Occupational classes

b. Own occupation vs. any occupation

c. Elimination/waiting period

d. Duration of benefits

e. Partial/residual disability benefits

f. Portability features

3. Optional benefits and riders

a. Cost-of-living adjustment

b. Automatic benefit increase

c. Option to purchase additional insurance

d. Waiver of premium

e. Social Security benefits rider (coordination with Social Security benefits)

f. Return of premium rider

4. Business disability plans

a. Buy/sell plans

b. Business overhead expense plans

5. Taxation and income tax planning (IRC Section 104)

a. Premiums – individual vs employer paid

b. Benefits

c. Deductibility

6. Integration with other areas of personal financial planning

a. Coverage decisions – when is it no longer needed

b. Transition to Social Security

H. Property and casualty insurance

1. Homeowner's insurance

a. Policy forms

1. HO-3 (special form)

2. HO-4 (contents broad form)

3. HO-5 (comprehensive form)

4. HO-6 (unit-owners form)

b. Excluded perils

1. Dwelling

2. Personal property

3. Business pursuits

c. Section 1

1. Coverage A – dwelling

2. Coverage B – other structures

3. Coverage C – personal property

a. Replacement cost endorsement

b. Personal property floater

4. Coverage D – loss of use

d. Section 2

1. Personal liability

2. Medical payments to others

e. Exclusions

1. Flood and earthquake (separate policies available)

f. Ownership of properties through trusts and LLCs

2. Personal auto insurance

a. Part A – liability coverage

1. Single limit

2. Split limits

b. Part C – Uninsured/underinsured coverage

c. Part D – Collision and not collision

3. Excess liability insurance (umbrella)

a. Secondary coverage

b. Identify all properties, cars, and "toys" under personal and LLC names

c. Determination of amount based on net worth or tangible assets at risk

4. Taxation and income tax planning

a. Gain and loss recognized on claims for federally declared disaster areas

I. Medical expense insurance

1. Significant legislation

a. Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)

b. Health Insurance Portability and Accountability Act (HIPAA)

c. Patient Protection and Affordable Care Act (PPACA)

1. Healthcare marketplace (Exchange) for the individual and small employer
2. Premium pricing based on age and location vs health history
3. Individual shared responsibility provision (aka individual mandate)
    a. $0 penalty for non-compliance for 2019 and future years (TCJA change effectively repealing the provision)
4. Employer shared responsibility provision (aka employer mandate, "play or pay")
5. Medicaid expansion
6. Medicare regulations

d. Tax Cut and Jobs Act of 2017 (TCJA)

2. Plan features under PPACA
    a. Limits on deductibles and out of pocket expenses
    b. Guarantee issue – no medical underwriting

3. Types of plans
    a. Indemnity plans (fee-for-service plans)
        1. Preferred provider organization (PPO)
        2. Exclusive provider organization (EPO)
        3. Point of Service (POS)
    b. Health maintenance organization (HMO)
    c. Government programs
        1. Medicare (Parts A, B, & D)
            a. Medicare supplement insurance
        2. Medicare Advantage (Part C)
        3. Medicaid
        4. TRICARE

4. Tax advantaged plans
    a. Health savings accounts (HSA)
        1. Paired with qualified high deductible health plans
        2. Deductibles
        3. Contribution limits
        4. Acceptable uses for HSA funds
    b. Flexible spending accounts (FSA)
    c. Health reimbursement arrangements (HRA)

5. Taxation and income tax planning
    a. Individual plans (IRC Section 105)
        1. Itemized deductions subject to limitations
        2. IRC Section 105 plans for self-employed individuals
        3. Self-employed health insurance deduction for AGI
            a. Includes requirements for S corp shareholders
    b. HSA plans (IRC Section 223)
        1. Taxability during accumulation and distribution
        2. Early withdrawal penalties

6. Integration with other areas of personal financial planning
    a. Use of HSA funds as a tax-deferred retirement savings vehicle
    b. Retiree health insurance benefits – current or former employers
    c. Enrollment in Medicare
    d. Annual review health coverage (including drugs) options during retirement

J. Long-term care insurance

1. Types
    a. Group vs. individual
    b. Traditional life insurance or annuity based

2. Policy provisions/definitions
    a. Qualified care
    b. Benefits
    c. Deductibles
    d. Triggers/activities of daily living
    e. Covered services
    f. Inflation protection
    g. Non-forfeiture benefits

3. Retaining the risk – the self-insurance option
4. Taxation and income tax planning (IRC Section 7702B)
    a. Premium deductible/credits
    b. Benefits
    c. Self-employed health insurance deduction rules

5. Integration with other areas of personal financial planning
    a. Retirement and financial independence planning
        1. Use in a comprehensive retirement plan - potential catastrophic event
        2. Alternative to disability insurance for individuals aged 45-55
    b. Estate planning
        1. Inclusion of benefit if there is a return of premium rider

7. Employee and business owner planning

A. Executive compensation and arrangements

1. Salary and bonus compensation
    a. Employment contracts

2. Severance agreements
    a. Non-compete agreements and related contracts

3. Other arrangements
    a. Key person insurance
    b. Executive bonus plans (IRC Section 162(a)(1)
        1. Ownership and beneficiary issues
    c. Split dollar life insurance arrangements (IRC Section 61)
    d. Golden parachute payments (IRC Section 280G)
    e. Golden handcuff payments
    f. Company owned vehicle – business owners

4. Insider issues
5. Taxation and income tax planning
    a. Taxability of plan arrangements based on entity types
    b. International considerations

6. Integration with other areas of personal financial planning
    a. Risk management planning
        1. Familiarity with types of insurance used to fund these plans
    b. Investment planning
        1. Consideration in asset allocation plan based on risk tolerances
    c. Retirement and financial independence planning
        1. Coordination with existing retirement plan arrangements
    d. Estate planning
        1. Inclusion and valuation in estate

B. Equity compensation plans

1. Equity plans
    a. Basic knowledge

1. Current trends in employee compensation
2. Company restrictions

b. Types of plans

1. Restricted stock
2. Phantom stock
3. Stock appreciation rights
4. Employee stock purchase plans
5. Incentive stock options (ISO)
6. Non-qualified stock options (NQSO)

2. Taxation and income tax planning

a. Taxability of types of plans

b. IRC Section 83(b) election

c. AMT incentive stock options (ISO)

d. Disqualifying dispositions

e. Holding period requirements

f. Tax implications of the use of various plan types

g. Net unrealized appreciation (NUA)

3. Integration with other areas of personal financial planning

a. Risk management planning

1. Diversification

b. Investment planning

1. Impact of these plans on investment allocation decisions
2. Managing a concentrated stock position

c. Retirement and financial independence planning

1. Use of plans for retirement income planning before and during retirement

d. Estate planning

1. Inclusion and valuation in the estate

e. Charitable planning

1. Ability to gift to gift to a charity

C. Deferred compensation

1. Basic provisions and differences from qualified plans

a. Advantages/disadvantages for both employer and employee

b. Regulatory environment governing these plans – DOL, ERISA, etc.

2. Types of plans and applications
    a. Salary reduction plans
    b. Salary continuation plans
    c. Rabbi trusts
    d. Secular trusts
    e. Top hat plans
    f. Supplemental executive retirement plans (SERPS)

3. Strategies

4. Distribution options/planning
    a. In-service withdrawals
    b. Distribution rules (lump sum definition)
    c. Net unrealized appreciation withdrawals
    d. Retirement
    e. Death
        1. Ownership and beneficiary issues
    f. Disability

5. Taxation and income tax planning
    a. Taxability of types of plans
    b. Constructive receipt
    c. Substantial risk of forfeiture
    d. Economic benefit doctrine
    e. IRC Section 409A compliance
    f. State income tax considerations (non-state specific)
    g. Tax implications of plan types based on entity types

6. Integration with other areas of personal financial planning
    a. Risk management planning
        1. Use of insurance products as funding vehicles
        2. Coordination with existing life and disability insurance contracts
    b. Investment planning
        1. Impact on asset allocation
    c. Retirement and financial independence planning

1. Use in available retirement assets and income
2. Coordination of distribution with other retirement funding vehicles

d. Estate planning

1. Inclusion and valuation in the estate

e. Business-owner planning

1. Executive compensation (e.g., split dollar life insurance arrangements (IRC Section 61), insider issues, golden parachute payments (IRC Section 280G), golden handcuff payments, severance agreements, employment contracts, non-compete agreements and related contracts, company owned vehicle by business owners)
2. Taxation and income tax planning, (e.g., taxability of plan arrangement based on entity types and international considerations)

f. Charitable planning

1. Ability to gift

D. Group insurance

1. Group life insurance (IRC Section 79)

a. Types

1. Annual renewable term (ART)
2. Accidental death and dismemberment (AD&D)
3. Group universal life

b. Characteristics

1. Guaranteed issue
2. Modified underwriting
3. Convertibility
4. Retirement options

c. Tax issues

1. Premium deductibility
2. Differences based on type and/or purpose

d. Portability and conversion analysis

2. Group disability insurance

(See Risk Management Planning / Disability Insurance for more information)

a. Types and basic provisions

1. Short-term coverage

2. Long-term coverage

3. Supplemental

b. Definitions of disability

c. Portability

d. Income tax implications

e. Integration with other income/other coverage

3. Group medical insurance

a. Types and basic provisions

1. Traditional indemnity

2. Managed care plans

a. Preferred provider organization (PPO)

b. Health maintenance organization (HMO)

c. Point-of-service plan (POS)

3. Qualified high deductible plans

4. COBRA benefits

5. HIPAA considerations

6. Patient Protection and Affordable Care Act (PPACA)

7. Continuation/transition planning

8. Savings accounts

a. HSA (IRC Section 223)

b. MSA (IRC Section 220)

c. FSA (IRC Section 125)

4. Other group Insurance

(See Risk Management Planning topic for more information)

a. Long-term care insurance

b. Dental insurance

c. Vision insurance

5. Taxation and income tax planning

a. Eligibility for tax deductions

b. Taxability of premiums paid by employer or employee

1. Premiums taxable unless paid under an IRC Section 125 plan arrangement

c. Taxability of benefits

6. Integration with other areas of personal financial planning
    a. Risk management planning
        1. Include coverages in overall assessment of insurance and risk management plan
    b. Investment planning
        1. Consideration of investment components of group (UL and VUL) policies in asset allocation plan
        2. Impact of HSA investment on asset allocation plan
    c. Retirement and financial independence planning
        1. Impact of potential continuation of benefits into retirement
        2. Decisions on replacing coverages for retirement
    d. Estate planning
        1. Irrevocable assignment of group term life to an IDGT or ILIT
    e. Charitable planning
        1. Naming a charity as beneficiary

E. Other employee benefits

1. Provided for employee satisfaction and retention
2. Examples (basic knowledge and tax implications testing only, details of features and tax treatment is not tested)
    a. Adoption assistance
    b. Dependent care assistance
    c. Educational assistance
    d. Employee achievement awards
    e. Financial, retirement, legal and tax planning advice
    f. Job placement or outplacement services (part of company downsizing)
    g. Meals
    h. On premise athletic facilities
    i. Qualified employee discounts
    j. Transit passes
    k. Transportation Fringes
    l. Working condition fringes – like employer provided cell phones
    m. De minimus gifts

F. Closely held business basics

(See Estate Planning / Closely Held Business Issues topic for more information)

1. Entity selection process
    a. Corporations
        1. Regular C-Corporations
        2. S-Corporations
        3. Associations taxable as corporations
    b. Partnerships
        1. Limited liability companies (LLC)
        2. Limited liability partnerships (LLP)
        3. Limited partnerships
        4. General partnerships
        5. Pass through of tax benefits (TCJA impacts)
            a. 20% limit
                1. Loss limitations
            b. Section 199A provisions
            c. Definition of service business
    c. Sole proprietorships
    d. Trusts
        1. Electing small business trust (ESBT)
        2. Qualified subchapter S trust (QSST)
    e. Family limited partnerships and LLCs
2. Retirement plan considerations *(See Financial Independence | Retirement Topics)*
3. Valuation
4. Potential liquidity events
5. Income/cash flow
6. Employing spouse or children and FICA taxes
7. Liability issues
8. Maintaining and increasing value
9. Transitioning or converting to a retirement income producing asset
10. Key employee life insurance

8. Investment planning

A. Investing as a process

1. Phases in the investment planning process
    a. Planning
    b. Implementation
    c. Monitoring and updating

B. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for more information)

1. Regulatory environment
2. Professional responsibilities
    a. Application of Statement on Standards in Personal Financial Planning Services, No. 1
    b. Fiduciary responsibilities
3. Business models and compensation methods
    a. Broker-dealer model / Commissions
    b. Registered investment adviser (RIA) model / Fees
        1. Fee for service
        2. Assets under management (AUM) fee
    c. Dual-licensed
    d. Disclosure requirements under Statement on Standards in Personal Financial Planning Services, No. 1

C. The planning phase

1. Determine and prioritize client goals
    (See the Personal Financial Planning Process / Gathering Data: Establishment of Financial Objectives and Identification of Constraints topic for more information)
    a. Client financial attitudes
    b. Client specific financial goals
        1. Time horizon
        2. Dollar needs
2. Gather information

a. Identify client financial condition

1. Statement of financial position
2. Statement of cash flows

b. Assessing risk tolerance

1. Risk attitude: indifferent, adverse, seeking
2. Using a risk tolerance questionnaire
3. Determining risk tolerance by client conversation
4. Willingness versus ability (tolerance versus capacity)

c. Identify unique needs

1. Personal trust considerations
2. Divorce/separation
3. Caregivers
4. Family health issues
5. Small business owners
6. Military service members
7. Concentrated stock positions
8. Elder planning and care issues
9. Special needs

d. Identify potential legal issues relating to the client's situation

e. Identify potential client liquidity constraints

1. Emergency cash
2. Goal spending within 5 years
3. Debt management

f. Identify human capital risks

1. Employment risks – salary and income
2. Pension entitlement
3. Human factors (morbidity and mortality)

3. Perform financial analysis

a. Compute required return

1. Time value of money techniques
    a. Using a financial calculator
2. Modeling and Monte Carlo simulation

b. Assess impact of investment risks

1. Systematic (un-diversifiable) risks: purchasing power, political, currency (exchange rate), interest rate, market, event
2. Unsystematic (diversifiable) risks: business, financial, liquidity, reinvestment, sector/industry, tax
3. Measuring investment risk

c. Evaluate economic and capital market expectations
  1. Macroeconomic variables
     a. Inflation
     b. Interest rates
     c. Gross domestic product (GDP) growth
     d. Exchange rate
  2. Expected impact of macroeconomic variables on capital markets

d. Gauge impact of unique needs

e. Review taxation and income tax planning
  1. Taxation of investment returns
     a. Classification of assets by taxability
        1. Ordinary income assets
        2. Capital assets (IRC Section 1221)
           a. Short-term vs. long-term gains and tax treatment
           b. Exceptions to general rule for long-term gains
              1. Collectibles
              2. Rental real estate (unrecaptured Section 1250 gain)
           c. Wash sale rule
           d. Loss limitation rules
           e. IRC Section 1244 small business stock election
           f. Principal residence
        3. IRC Section 1231 assets
           a. Tax treatment of IRC Section 1231 assets
           b. Depreciation recapture
              1. Personal property
              2. Real property
     b. Marginal income tax rates

c. Qualified and nonqualified dividends

d. Tax-exempt income

e. Pre- and after-tax returns

f. Alternative minimum tax (AMT)

g. Deferring recognition of gain

1. Like-kind exchanges (IRC Section 1031)

2. Involuntary conversions (IRC Section 1034)

3. Section 1202 stock – Gain on sale could be zero

h. Use of annuities inside and outside of qualified plans

i. Use of LLCs and LLPs with alternative investments

2. Tax strategies

a. Capital gains

b. Tax-free vs. taxable – asset location

c. Year-end tax planning – timing of income and deductions

d. Gifting strategies to minimize taxes

e. Loss harvesting and carryover

f. Kiddie tax rule impacts changed under TCJA

g. Tax bracket and tax bucket planning to meet specific goals (retirement, education)

h. Investment fees no longer deductible with TCJA

i. Distributions from trusts

f. Assess impact of constraints

1. Time horizon – (See Goal Setting above)

2. Liquidity

a. Client liquidity needs

b. Needs created by the financial plan

1. Income taxes

2. Estate transfer taxes

3. Investment flexibility

g. Determine asset class allocation strategy

1. Role of asset allocation and diversification

2. Major steps in asset allocation

3. Types of allocation strategies: strategic, tactical, insured

4. Asset class definitions
    a. Equity vs. fixed income
    b. Global, US, international
    c. Developed and emerging markets
    d. Capitalization or size effect
    e. Growth and value investments
    f. Alternative investments
        1. Cryptocurrency (general concepts, not detailed)
5. Risk issues
    a. Reduction and correlation
    b. Suitability based on risk tolerance and age

4. Develop the investment policy statement (IPS)
    a. Apply the client's goals and information with the adviser's analysis to produce the IPS for presentation to the client
    b. Components of the IPS document (sub-sections below correspond to sections in the IPS)
        1. Objectives
            a. Return
            b. Risk
        2. Constraints
            a. Time horizon
            b. Liquidity
            c. Taxes
            d. Legal issues of client's situation
            e. Unique circumstances
        3. Asset class allocation strategy
        4. Duties and responsibilities
            a. Client
            b. Adviser(s)
        5. Monitoring and review policy
            a. Rebalancing approach
        6. Acknowledgement by all parties
    c. IPS as guiding document throughout the relationship

D. The implementation phase

1. Investment manager selection
    - a. Criteria of a suitable manager
    - b. Due diligence process
    - c. Strategies that incorporate multiple advisers
2. Portfolio management basics
    - a. Time value of money
    - b. Return and risk relationship
    - c. Modern portfolio theory
    - d. Efficient markets hypothesis
    - e. Market indices
    - f. Capital markets structure
    - g. Portfolio characteristics
        1. Turnover
        2. Composition
        3. Expenses
        4. Tax implications
        5. Return
        6. Risk
3. Research organizations
    - a. Stocks
    - b. Bond ratings
    - c. Mutual funds and exchange traded funds (ETFs)
4. Types of investment vehicles
    - a. Cash and equivalents
    - b. Guaranteed investment contracts (GICs)
    - c. Annuities: fixed, immediate, variable
    - d. Individual bonds: corporate and government securities
    - e. Individual stocks
    - f. Mutual funds
        1. Open-end vs. closed end
        2. Load vs. no-load

3. Passive vs. active management

g. Exchange-traded funds (ETFs)

h. Other pooled and managed investments

1. Real estate

i. Alternative investments

1. Hedge funds, private equity, commodities, precious metals, master limited partnerships (MLPs), publicly traded partnerships

2. Restricted nature of alternative investments

5. Investment strategies

a. Active vs. passive management

b. Market timing

c. Dollar cost averaging

d. Dividend and/or capital gain distribution reinvestment

e. Systematic withdrawal plans

f. Bond laddering

g. Hedging

1. Options

2. Futures

3. Short selling

4. Buying short ETFs

h. Leverage

1. Use of margin accounts

i. Concentrated portfolios

1. Risks of concentrated portfolios

2. Strategies for reducing risk or diversifying concentrated portfolios

j. Like-kind exchanges

6. Investment valuation

a. Asset pricing theories

1. Capital asset pricing model (CAPM)

2. Arbitrage pricing theory (APT)

b. Technical vs. fundamental analysis

c. Stock valuation

d. Bond valuation

E. The monitoring and updating phase

1. Measuring performance and goal achievement
    a. Calculating returns
        1. Simple vs. compound return
        2. Arithmetic vs. geometric (time-weighted) average returns
        3. Holding period return
        4. Real return (after-tax and inflation)
        5. Internal rate of return (dollar-weighted)
        6. Fixed income returns
            a. Yield
            b. Duration
        7. Risk calculations: standard deviation, Sharpe ratio
    b. Tax-exempt and taxable equivalent
    c. Tracking progress towards a dollar goal
    d. Benchmarking returns
2. Re-evaluation of the IPS
    a. Changes in the economy or capital markets
    b. Changes in the client's life situation, financial situation, or goals
    c. Changes in the client's risk tolerance
    d. Changes in constraints
3. Rebalancing the portfolio (as discussed in the IPS)
    a. Buy and hold
    b. Strategic or constant mix
    c. Tactical
    d. Insured
    e. Tax considerations
    f. Timing and methodologies to rebalance
4. Coordinating with all of the client's financial advisers and representatives

F. Integration with other areas of personal financial planning

1. Risk management planning
    a. Availability of funds for required premiums
    b. Applicability of life insurance and annuity contracts in the asset allocation plan

c. Uses of life insurance for:
    1. Funding trusts
    2. Providing liquidity for concentrated stock positions
    3. Planning for closely held business owner needs (buy/sell, estate liquidity)
d. Use of guaranteed insurance (including annuities) cash values to meet retirement fixed expenses

2. Retirement and financial independence planning
    a. Adequacy of current and projected assets for retirement needs
    b. Appropriate investments for:
        1. Longevity needs
        2. Liquidity and emergency needs
    c. Clear objectives in the IPS for retirement needs
    d. Asset allocation plan decisions impacted by
        1. Retirement income decisions (working, delay Social Security, etc.)
        2. Changing retirement cash flow needs
    e. Coordination of retirement income needs with capital gains harvesting
    f. Impact of taxable, tax deferred, or tax-free investments on retirement withdrawal decisions
    g. Planning for the income or insurance needs for an ex-spouse

3. Estate planning
    a. Investment vehicle selection and asset allocation decisions for:
        1. Meeting legacy desires
        2. Funding liquidity needs for:
            a. Estate administration needs
            b. Estate tax needs
    b. Appropriate use of trusts to hold investments and meet the client's goals
    c. Potential restrictions on selling concentrated stock positions
    d. Monitoring of decreased estate tax liquidity needs in market downturns

4. Charitable planning
    a. Effect of investment selection considering gifting objectives
    b. Use of charitable trusts to minimize taxes
    c. Clear objectives in the IPS for charitable intent
    d. Cash flow considerations for annual donation decisions

e. Effect of market downturns on annual charitable donation plans

5. Elder planning
    a. Updating asset allocation
6. Education planning
    a. Appropriate investments for education funding
    b. Clear objectives in the IPS for education needs
7. Other PFP areas
    a. Succession planning for the closely held business owner to convert business investment into retirement asset
    b. Use of family limited partnerships (FLPs) to meet needs of closely held business owner

9. Retirement and Financial Independence Planning

A. Financial independence planning process

1. Determine and prioritize client goals and related expenses
    a. Setting goals
        1. Essential versus discretionary (needs versus wants)
        2. Impact on spouse and family
    b. Quantifying goals
        1. Dollar specificity
        2. Time specificity
        3. Health considerations – now and after retirement
2. Assumptions and risks for retirement planning
    a. Assumptions
        1. Inflation
        2. Retirement period and life expectancy
        3. Lifestyle
        4. Portfolio rate of return
        5. Sustainable withdrawal rate
    b. Risks
        1. Longevity
        2. Mortality
        3. Investment
        4. Inflation
        5. Health/healthcare
        6. Illiquidity
        7. Retirement expenses burn rate
        8. Unforeseen circumstances
        9. Location
            a. State income and estate tax differentials
            b. Cost of living differences
3. Gather information
    a. Retirement assets
    b. Income

1. Current
2. Non-asset-based retirement income sources (pensions, Social Security, etc.)
3. Employment in retirement

c. Retirement benefits

d. Retirement expense needs

1. Living expenses: dollar and time specific
2. Health considerations medical costs, including long-term care needs analysis
3. Charitable and beneficiary gifting objectives
4. Other (trust and foundation funding, education funding, etc.)

4. Perform financial analysis

a. Approaches

1. Straight-line returns vs. probability analysis
2. Pure annuity vs. capital preservation
3. Alternatives to compensate for projected cash-flow shortfalls

b. Tax planning considerations

1. Incorporating tax rate diversification in the choice of retirement savings vehicles

c. Retirement risk management tools and strategies

1. Tools
    - a. Annuities
    - b. Reverse mortgage
    - c. Long-term care insurance
    - d. Longevity insurance
2. Strategies
    - a. Sustainable portfolio withdrawals
    - b. Asset allocation
    - c. Bond strategies
    - d. Budget and expense management
        1. Working beyond desired retirement age
        2. Additional expenses - caring for aging parents and children

d. Integration with overall financial plan

1. Estate planning
    - a. Balancing clients' desire for a legacy with own retirement needs
    - b. Reviewing beneficiary designations

2. Charitable planning
    a. Balancing clients' charitable intent with own retirement needs
    b. Using an IRA qualified distribution
3. Risk management planning
    a. Using long term care and other insurances to protect retirement income
    b. Addressing risk of health issues that can have an impact on expenses
    c. Addressing the role of cash flow products containing guaranteed retirement income payments
4. Investment planning
    a. Considering asset allocation implications for cash flow needed for projected retirement expenses
5. Elder and special needs planning
    a. Impact of special needs children/adults on retirement planning

5. Create and present the proposed retirement plan
    a. The accumulation (contribution) plan
    b. The distribution (retirement income) plan

6. Supplemental engagements
    a. Implement
        1. Accumulation Plan
            a. Establish appropriate titled savings vehicles
            b. Initiate regular funding arrangements
        2. Income Plan
            a. Reposition assets to align with income management plan
            b. Initiate withdrawals to fund planned retirement needs and desires
    b. Monitor
        1. Changes in client's life situation, financial situation, or goals
        2. Changes in economy or capital markets
        3. Changes to retirement strategies to address changing situations

B. Retirement plans and IRAs

1. Social Security (Old Age, Survivor, and Disability Insurance, OASDI)
    a. Paying into the system
    b. Eligibility and benefit

1. Retirement
2. Disability
3. Survivor
4. Family limitations

c. How benefits are calculated

d. Working after retirement

e. Taxation of Social Security benefits

f. Medicare

2. Retirement plans and IRAs

a. Regulatory considerations

1. Employee Retirement Income Security Act (ERISA)
2. Department of Labor (DOL) regulations
3. Fiduciary liability issues
4. Prohibited transactions
5. Reporting requirements

b. Qualified plan rules and options

1. Feasibility of installation of a qualified plan

a. Client objectives

b. Constraints

2. Nondiscrimination and eligibility requirements

a. Age and service requirements

b. Coverage requirements

c. Minimum participation

d. Highly compensated employee (HCE)

e. Permitted vesting schedules

f. ADP/ACP testing

g. Controlled group

3. Integration with Social Security/disparity limits

a. Defined benefit plans

b. Defined contribution plans

4. Factors affecting contributions or benefits

a. Deduction limit (§404(c))

- b. Defined contribution limits
- c. Defined benefit limit
- d. Annual compensation limit
- e. Definition of compensation
- f. Multiple plans
- g. Special rules for self-employed (non-corporations)

5. Top-heavy plans
    - a. Definition
    - b. Key employee
    - c. Vesting
    - d. Effects on contributions or benefits
6. Loans from qualified plans

c. Types of retirement plans

1. Characteristics
    - a. Qualified plans
    - b. Non-qualified plans
2. Types and basic provisions of qualified plans
    - a. Defined contribution
        1. Money purchase
        2. Target benefit
        3. Profit sharing
            - a. 401(k) plan
            - b. Safe harbor 401(k) plan
            - c. Age-based plan
            - d. SIMPLE 401(k)
            - e. Stock bonus plan
            - f. Employee stock ownership plan (ESOP)
            - g. New comparability plan
            - h. Thrift plan
        4. Multiple employer plans
    - b. Defined benefit
        1. Traditional
        2. Cash balance

3. 412(i) plan

d. Other tax-advantaged retirement plans

1. Types and basic provisions

a. Traditional IRA

b. Roth IRA & conversion analysis

c. SEP

d. SIMPLE

e. §403(b) plans

f. §457 plans

g. Keogh (HR-10) plans

2. Basic provisions

a. Eligibility

b. Contribution limits

c. Deductibility

d. Distribution options

e. Key factors affecting plan selection for businesses

1. Owner's personal objectives

a. Tax considerations

b. Capital needs at retirement

c. Capital needs at death

2. Business' objectives

a. Tax considerations

b. Administrative cost

c. Cash flow situation and outlook

d. Employee demographics

e. Comparison of defined contribution and defined benefit plan alternatives

f. Investment considerations for retirement plans

1. Suitability / fiduciary considerations

2. Time horizon

3. Diversification

4. Fiduciary considerations

5. Unrelated business taxable income (UBTI)

6. Life insurance

7. Appropriate assets for tax-advantaged vs. taxable accounts

g. Distribution rules, alternatives, and taxation

1. Premature distributions

a. Penalties

b. Exceptions to penalties

c. Substantially equal payments (§72(t))

2. Election of distribution options

a. Lump sum distributions

b. Annuity options

c. Rollover

d. Direct transfer

e. Per parent penalty-free withdrawal upon the birth or adoption of a child

f. Net unrealized appreciation rules and caveats

3. Required minimum distributions

a. Rules

b. Calculations

c. Penalties

4. Beneficiary consideration

5. Qualified Domestic Relations Order (QDRO)

6. Taxation of distributions

a. Waiver

b. Cost basis recovery

3. After-tax retirement savings options

a. After-tax investments

b. Annuities

c. Life insurance

d. Business as a retirement asset

e. Other real property

10. Elder, special needs, and chronic illness planning

A. Professional environment

(See Professional Responsibilities and the Legislative and Regulatory Environment topic for broader information on this topic)

1. Professional responsibilities in the elder market
    a. Statement on Standards in Personal Financial Planning, No. 1
    b. Recognition of needs and changes in behavior / capacity
    c. Indications of elder financial abuse
2. Coordination of involved parties (family and professional advisers)
    a. Spouse, adult children, and extended family
    b. Family meeting(s)
    c. Attorney (practicing in the areas of elder and special needs law)
    d. Geriatric care manager/aging life care manager
    e. Home health aide
    f. Community resources
    g. Government agencies and programs

B. Non-financial factors

1. Overview of the types of care and related decisions
    a. Home care
    b. Custodial care
    c. Hospice care
2. Communicating with cognitively or physically impaired clients
3. Family dynamics and dealing with differences
4. Life planning for primary caregiver and family

C. Financial decisions

1. Personal finances
    a. Creation of a spending plan / budget
        1. Bill paying needs
        2. Increased costs of healthcare and prescription drugs
        3. Healthcare emergency

        4. Cash management strategies with respect to on-going care of special needs children
    b. Debt issues
    c. Financial fraud

2. Housing decisions
    a. Financial analysis and decision support
    b. Housing options
        1. Independent living with modifications to home
        2. Assisted living
        3. Nursing homes
        4. Continuing care retirement communities

3. Healthcare decisions
    a. Funding sources
        1. Government programs
            a. Medicare
            b. Medicaid
            c. Veteran's benefits
        2. Insurance options
            a. Medigap
            b. Supplemental policies
            c. Long-term care insurance (LTCI)
            d. Asset-based long-term care insurance
        3. Other sources
            a. Taxable investments
            b. Retirement plans
            c. IRC Section 529A (ABLE account)
            d. Reverse mortgage(s)
    b. Financial decisions around the types of care
        1. Tax planning and compliance
        2. Payment of help
        3. Understanding and triggering LTCI benefits
        4. Home care
        5. Custodial care

D. Estate planning considerations

1. Definition of incapacity
2. Powers of attorney
    a. Advance medical directives
    b. For asset management
    c. Durable feature
    d. Springing power
    e. General or limited powers
3. Guardianship and conservatorship
4. Revocable living trust
5. Asset shifting
    a. Qualifying for government programs
    b. Medicaid / Special needs trust(s)
    c. Gifting

E. Taxation and income tax planning

1. Failure to file tax return
2. Social Security benefits
3. Deductibility of assisted living expenses
4. Trust taxation

F. Integration with other areas of personal financial planning

1. Estate planning
    a. Review and update of current documents
        1. Review any documents where client has a current/future role (trustee, etc.)
    b. HIPPA privacy authorizations
    c. Qualified terminal interest property (QTIP) trusts for second marriages
    d. Personal residence trusts
2. Charitable planning
    a. Charitable remainder trust (CRT)
    b. Charitable lead trust (CLT)
3. Investment planning
    a. Review and update Investment Policy Statement

b. Asset allocation changes

1. Spending needs versus legacy needs

c. Review withdrawal strategies

d. Suitability

4. Risk management planning

a. Long-term care insurance

b. Life insurance and viatical settlements

c. Disability / retirement benefits

d. Annuities

5. Retirement and financial independence planning

a. Survivorship decisions on pensions

b. Impact of chronic and terminal illness on pension benefits

11. Education planning

A. Education planning process

1. Gather objectives, needs, and costs
2. Assess potential for financial aid
3. Assess funding methods available
4. Assess funding strategies
5. Develop and present recommendations
6. Implement, monitor, and update the plan

B. Gather objectives, needs, and costs

(See Personal Financial Planning Process / Gathering Data: Establishment of Financial Objectives and Identification of Constraints topic for general information)

1. Identify client's plans and subsequent costs
2. Assess constraints: time horizon, risk attitudes, contribution abilities, external risks

C. Assess potential for financial aid

1. Financial aid formula
    a. Free Application for Federal Student Aid (FAFSA) application
2. Scholarships
3. Loans
    a. Student loans
        1. Stafford loans
        2. Perkins loans
    b. Parent Loan for Undergraduate Students (PLUS)
    c. Private loans
    d. Consolidation loans
    e. Loan forgiveness programs
    f. Family loans
4. Work opportunities

D. Assess funding methods

1. 529 plans and qualified tuition programs

        a. Prepaid tuition plan
        b. Education savings plan
            1. Additional uses for 529 plans beyond college and university expenses
                a. Elementary and secondary education
                b. Roll over 529 plans to ABLE accounts
                c. Qualified education loan repayments
                d. Qualified apprenticeship program expenses
2. Coverdell Education Savings Accounts
3. Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA)
4. U.S. Savings bonds
5. Taxable accounts
6. Gifts directly paid to schools

E. Assess factors to consider and funding strategies

1. Factors
    a. Account ownership
    b. Risk management
    c. Inflation rate of educational costs
    d. Impact of potential decision not to attend college
2. Savings vehicles
    a. Use of mutual funds / target date funds
    b. Life insurance
    c. Use of Roth IRA
3. Funding strategies
    a. Saving
    b. Gifting
    c. Debt/mortgage

F. Taxation and income tax planning

1. Income
    a. Taxation of scholarships/fellowships
    b. Exclusions from income
        1. Employer provided educational assistance

        2. Student loans discharge (certain reasons)

2. Deductions

    a. Tuition and fees deduction

    b. Student loan interest deduction

3. Credits

    a. American Opportunity Tax credit

    b. Lifetime Learning credit

G. Integration with other areas of personal financial planning

1. Risk management planning

    a. Life insurance

    b. Disability insurance

    c. Student loans

        1. Loan interest cost as significant living expense

        2. Impact of loan defaults on credit score

2. Retirement and financial independence planning

    a. Retirement plan withdrawals or loans

    b. Education funding vs. retirement funding

3. Estate planning

    a. Multi-generational gifting

    b. Trusts for education

    c. Annual exclusion gifts / Five year accelerated 529 plan gifts

4. Investment planning

    a. Asset allocation

    b. Target date funds

12. Special situations

A. Housing

1. Primary residence versus vacation home
2. Sale of personal residence
    a. Qualification requirements
    b. Limitations
    c. Mixed use residence/rental
3. Integration with personal financial plan

B. Divorce

1. Create a spending plan / budget (pre- and post-)
2. Create a Statement of Financial Position (pre- and post-)
3. Alimony and Separate Maintenance
4. Child support
5. Grandfathered rules
6. Retirement plan(s)
    a. Qualified Domestic Relations Order
    b. Court order pursuant to a divorce decree or legal separation agreement (IRA)

C. Household employees

1. Payroll taxes
2. Workers compensation
3. Employment practices liability insurance