

F U T U R E

R E A D Y

FPA Professionals
CONGRESS
PERTH 23-25 NOV 2016

Ethical Challenges

Learning through case studies 1 - 4



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

HOW THIS WORKS

1 CPD Hour Ethics

Present

P - A - T

Apply

Test





DISCLAIMER

The opinions expressed are those of the presenter and do not necessarily represent those of FPA of Australia Ltd

Case studies are fictitious and any resemblance to real people or circumstances is purely coincidental.

Participation is required for continuing education credit to be granted.

Complete copies of the Standards of Professional Conduct are available for download at:

[http://fpa.com.au/wp-content/uploads/2015/09/
FPA_CodeofPractice_July2013.pdf](http://fpa.com.au/wp-content/uploads/2015/09/FPA_CodeofPractice_July2013.pdf)

Learning Objectives

After completing this course you should be able to:

Recognise the principles of the Code of Ethics

Understand how the Practice Standards guide advisor behavior when providing financial planning

Regulation

Regulatory obligations



PROFESSIONAL FRAMEWORK

PROFESSIONAL MEMBERSHIP

ENTRY, EDUCATION & EXPERIENCE REQUIREMENTS

+

PROFESSIONAL CONDUCT

COMPLIANCE, CONDUCT, CPD & SUPERVISION REQUIREMENTS

+

PROFESSIONAL ACCOUNTABILITY

COMPLAINTS & DISCIPLINE SYSTEMS

Structure

FPA CODE OF PROFESSIONAL PRACTICE



Principles

Integrity

Fairness

Client
First

Diligence

Objectivity

Professionalism

Competence


Confidentiality

Practice Standards: Set out the 6 Step Financial Planning Process for delivering quality advice

Assist members to:

- Identify, understand and address clients' objectives, needs and priorities
- Provide professional advice and services
- Identify, avoid, disclose and manage conflicts of interest
- Demonstrate professionalism
- Recognising and balancing commercial factors such as cost and availability of services, and sustainability of advice practices.

PS1	ENGAGEMENT	1.1	Financial planning process and Member competencies
		1.2	Can the Member meet client needs?
		1.3	Define scope of engagement
PS2	COLLECTING THE CLIENT'S INFORMATION	2.1	Identify client's objectives, needs and priorities
		2.2	Collect quantitative information and documents
		2.3	Collect qualitative information
PS3	ANALYSE AND ASSESS THE CLIENT'S FINANCIAL STATUS	3.1	Analyse the client's information
		3.2	Assess the client's objectives, needs and priorities
PS4	IDENTIFY SUITABLE FINANCIAL PLANNING STRATEGIES AND DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS	4.1	Identify and evaluate financial planning strategies
		4.2	Develop financial planning recommendations
		4.3	Identify products and services for implementation
		4.4	Present recommendations to the client
PS5	IMPLEMENT RECOMMENDATIONS	5.1	Agree implementation responsibilities
PS6	REVIEW THE CLIENT'S SITUATION	6.1	Agree terms and responsibilities
		6.2	Review and re-evaluate client's situation



Our Focus Today

PS7 PROFESSIONAL OBLIGATIONS

7.1 Professional and ethical conduct

7.2 Influencing the conduct of others

7.3 Fair and honest service promotion

7.4 Professional Judgement

7.5 Conflicts of Interest and Prioritisation

Case Study 1

Client has a concentrated position in a single security. The security represents more than 50% of the client's wealth. Adviser proposes reducing the position but the client does not take action.

- What do the Practice Standards say?
- Do any Rules of Conduct apply?
- How reasonable is a 50% allocation to a single security?
- What is in the best interest of the client?
- Whose interests must come first?



Case Study 1

What should Steve do?

- A - Terminate the relationship
- B - Ask for signed acknowledgement
- C - Use options together with periodic sales
- D - Maintain the status quo

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Case Study 2

- A 65 year old client has a superannuation policy with no surrender charges and high M&E expenses. He can change now without surrender charges.
 - What do the Practice Standards require?
 - Do any Rules of Conduct apply?
 - Is it reasonable for a 65 year old client to make a change now?
 - What is in the best interest of the client?
 - Whose interests must come first?

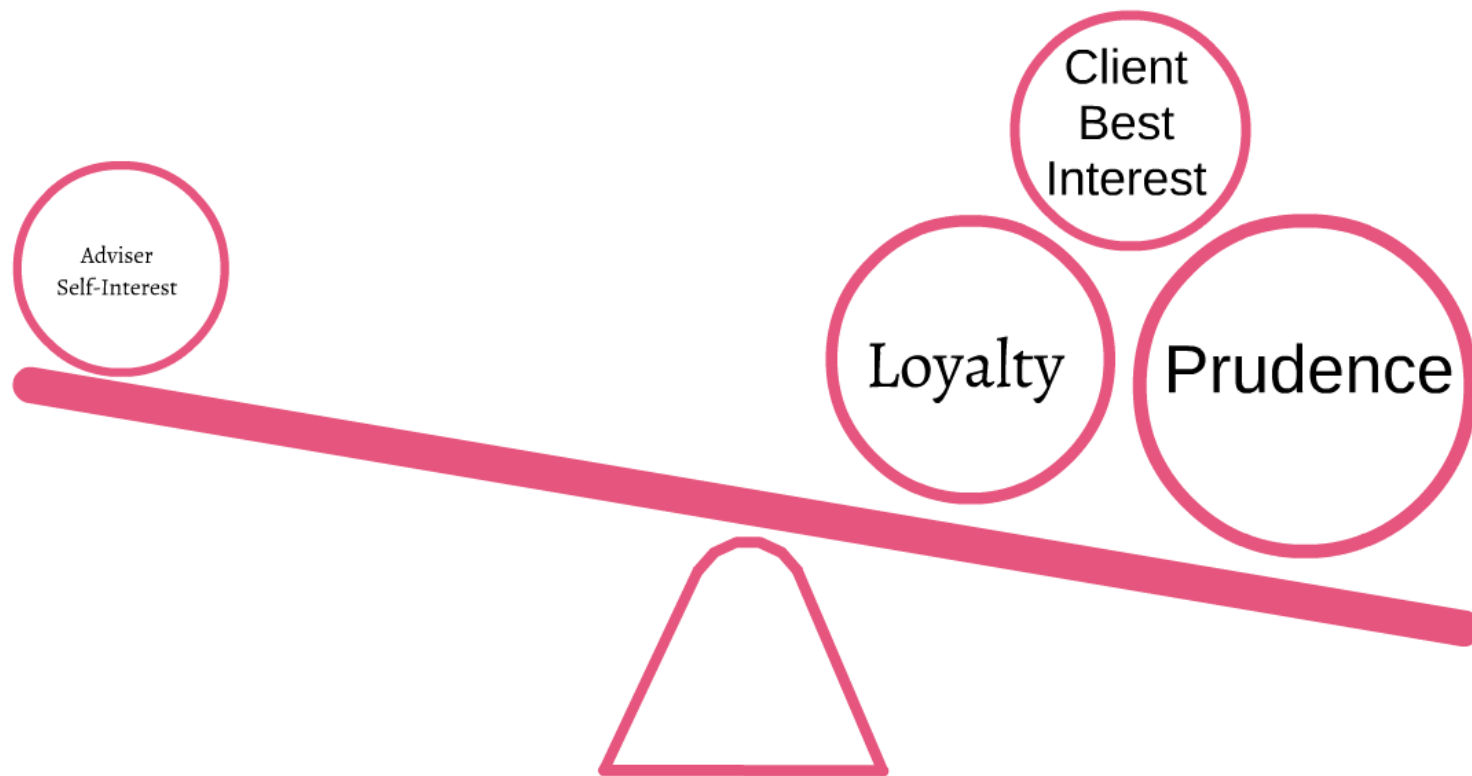
Case Study 2

What should Steve do?

- A - Don't replace the existing contract
- B - Lower client expenses with a new contract
- C - Do a present value analysis of both contracts
- D - Start collecting benefits from the old contract

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Fiduciary Duty



Case Study 3

Your clients Patty and Tom are divorcing after 10 years of marriage. You helped them with their joint accounts as well as their retirement accounts and insurance planning.

- How do you meet your fiduciary duty to both Patty and Tom during the divorce?
- How do you meet your fiduciary duty to both Patty and Tom after the divorce?



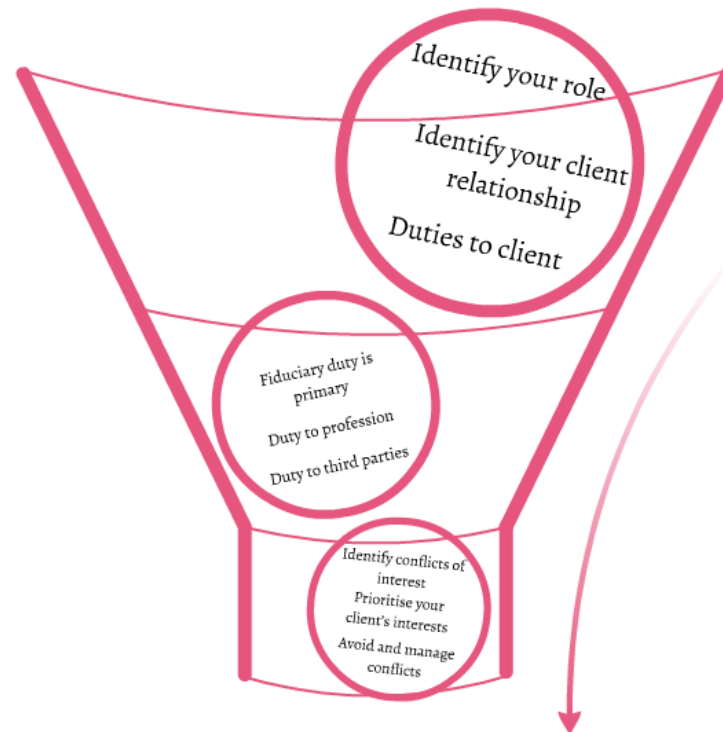
Case Study 3

What should Jeff do?

- A - Step aside & tell them they need new adviser
- B - Choose Tom
- C - Choose Patty
- C - Continue to work with Tom and Patty

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Conflicts of Interest and Prioritisation





Client Service Rules

Rule 7.5

A Member must ensure that all professional services are provided in an efficient, honest and fair manner

Rule 7.6

A Member must only provide professional services including financial planning with proper legal authorisation, and in accordance with legal, regulatory and the FPA's requirements.

Rule 7.7

A Member must ensure that his or her personal biases or interests do not adversely affect his or her services to clients.

Rule 7.8

A Member must only make and/or implement recommendations that are suitable for the client.



Case Study 4

Patty and Tom owned a business together providing technology consulting. This asset will need to be divided. Patty wants to buy out Tom's interest but Tom thinks the business has growth potential. Patty offers \$1,000,000 for Tom's minority interest.

- As Tom's advisor how do you fulfill your fiduciary duty?

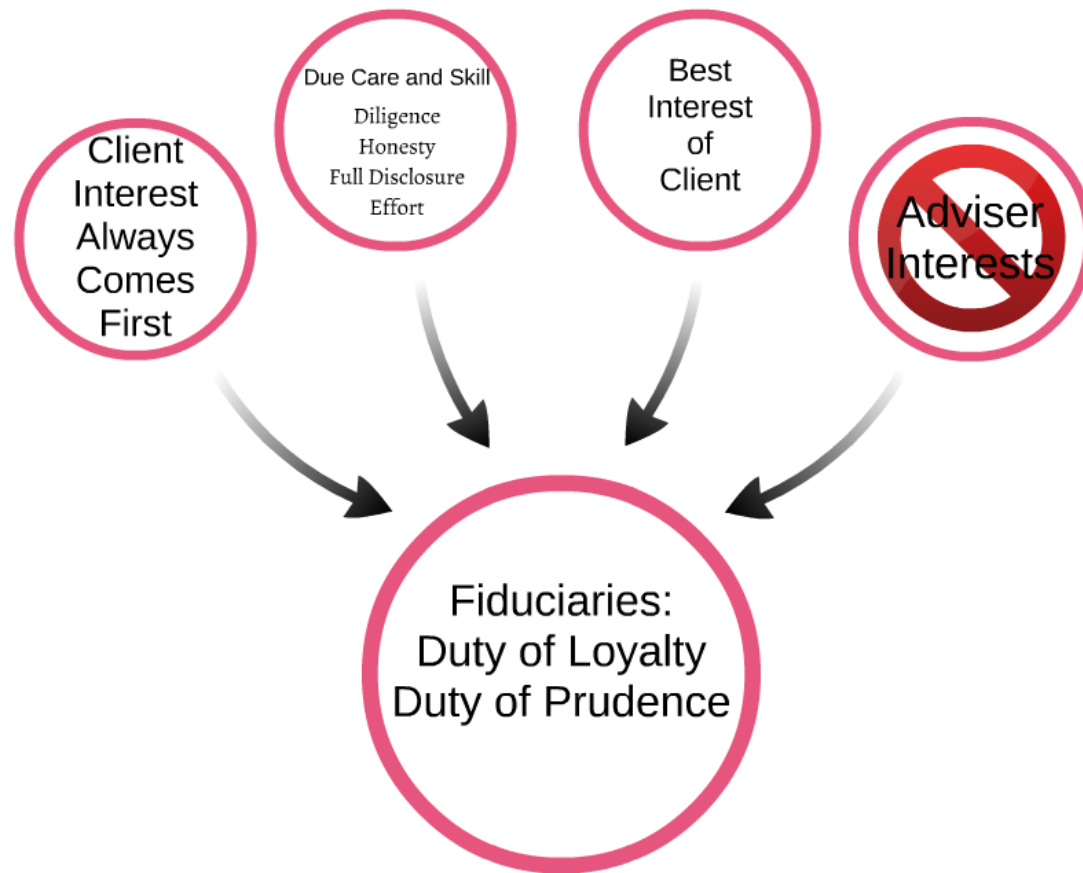
Case Study 4

What should Jeff do?

- A - Tell Tom to take the cash
- B - Conduct a business valuation of the firm
- C - Tell Tom to get someone else to negotiate

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Fiduciary Duty





Conclusion

- CFP[®] Certification is voluntary
 - Good Ethics is good business
 - Fiduciary duty can be challenging
 - Everyone benefits when we uphold the standards