

Acting Like a Fiduciary
Under CFP Board Rule 1.4

Our 7 Principles

These Principles are general statements expressing the ethical and professional ideals certificants and registrants are expected to display in their professional activities. As such, the Principles are aspirational in character and provide a source of guidance for certificants and registrants.

Principle 1 – Integrity

Provide professional services with integrity.

Integrity demands honesty and candor which must not be subordinated to personal gain and advantage. Certificants are placed in positions of trust by clients, and the ultimate source of that trust is the certificant's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one's principles.

Principle 2 – Objectivity

Provide professional services objectively.

Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which a certificant functions, certificants should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

Principle 3 – Competence

Maintain the knowledge and skill necessary to provide professional services competently.

Competence means attaining and maintaining an adequate level of knowledge and skill, and application of that knowledge and skill in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Certificants make a continuing commitment to learning and professional improvement.

Principle 4 – Fairness

Be fair and reasonable in all professional relationships. Disclose conflicts of interest.

Fairness requires impartiality, intellectual honesty and disclosure of material conflicts of interest. It involves a subordination of one's own feelings, prejudices and desires so as to

achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated.

Principle 5 – Confidentiality

Protect the confidentiality of all client information.

Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

Principle 6 – Professionalism

Act in a manner that demonstrates exemplary professional conduct.

Professionalism requires behaving with dignity and courtesy to clients, fellow professionals, and others in business-related activities. Certificants cooperate with fellow certificants to enhance and maintain the profession's public image and improve the quality of services.

Principle 7 – Diligence

Provide professional services diligently.

Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

We are what we think. All that we are arises with our thoughts. With our thoughts, we make the world. - Siddhartha Guatama [The Buddha] (c. 563 – 483 B.C.)

Give me beauty in the inward soul; may the outward and the inward man be at one.
- Socrates [Greek philosopher] (c. 479 – 399 B.C.)

The universe is change; our life is what our thoughts make it.
- Marcus Aurelius Antoninus [Roman Emperor] (121 – 180)

As he thinketh in his heart, so is he.
- Proverbs 23:7

It is only with the heart that one can see rightly; what is essential is invisible to the eye.
- Antoine de Saint Exupery [French aviator and writer] (1900 – 1944)

Happiness is when what you think, what you say, and what you do are in harmony.
- Mohandas Gandhi [Indian statesman] (1869 – 1948)

Selected Rules of Conduct

1.4 A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of financial planning, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board.

1.3 If the services include financial planning or material elements of financial planning, the certificant or the certificant's employer shall enter into a written agreement governing the financial planning services ("Agreement"). The Agreement shall specify:

- a. The parties to the Agreement,
- b. The date of the Agreement and its duration,
- c. How and on what terms each party can terminate the Agreement, and
- d. The services to be provided as part of the Agreement.

1.2 If the certificant's services include financial planning or material elements of financial planning, prior to entering into an agreement, the certificant shall provide written information or discuss with the prospective client or client the following:

- a. The obligations and responsibilities of each party under the agreement with respect to:
 - i. Defining goals, needs and objectives,
 - ii. Gathering and providing appropriate data,
 - iii. Examining the result of the current course of action without changes,
 - iv. The formulation of any recommended actions,
 - v. Implementation responsibilities, and
 - vi. Monitoring responsibilities.
- b. Compensation that any party to the agreement or any legal affiliate to a party to the agreement will or could receive under the terms of the agreement; and factors or terms that determine costs, how decisions benefit the certificant and the relative benefit to the certificant.
- c. Terms under which the agreement permits the certificant to offer proprietary products.
- d. Terms under which the certificant will use other entities to meet any of the agreement's obligations.

4.1 A certificant shall treat prospective clients and clients fairly and provide professional services with integrity and objectivity.

4.2 A certificant shall offer advice only in those areas in which he or she is competent to do so and shall maintain competence in all areas in which he or she is engaged to provide professional services.

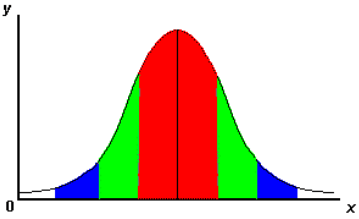
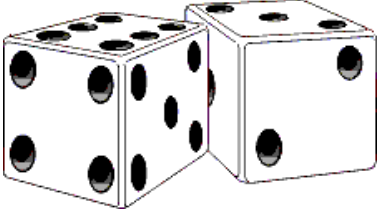
4.3 A certificant shall be in compliance with applicable regulatory requirements governing professional services provided to the client.

4.4 A certificant shall exercise reasonable and prudent professional judgment in providing professional services to clients.

The financial planning process is defined as follows:

Financial Planning Process	Related Practice Standard
1. Establishing and defining the relationship with a client	100-1 Defining the Scope of the Engagement
2. Gathering client data	200-1 Determining a Client's Personal and Financial Goals, Needs and Priorities 200-2 Obtaining Quantitative Information and Documents
3. Analyzing and evaluating the client's financial status	300-1 Analyzing and Evaluating the Client's Information
4. Developing and presenting financial planning recommendations	400-1 Identifying and Evaluating Financial Planning Alternative(s) 400-2 Developing the Financial Planning Recommendation(s) 400-3 Presenting the Financial Planning Recommendation(s)
5. Implementing the financial planning Recommendations	500-1 Agreeing on Implementation Responsibilities 500-2 Selecting Products and Services for Implementation
6. Monitoring	600-1 Defining Monitoring Responsibilities

Tools, Resources, Products & Services We May Use

The Tool...	Your Commentary Here...
 <p data-bbox="393 604 782 636">Standard Deviation of Returns</p>	
 <p data-bbox="415 1045 760 1077">Probability Analysis Tools</p>	
$\chi^2 = \sum_i \frac{(O_i - E_i)^2}{E_i}$ <p data-bbox="457 1314 717 1346">Mathematical Tools</p>	
<p data-bbox="282 1423 591 1444">The Normal Curve's Equation</p> $y = \frac{n}{\sigma \sqrt{2\pi}} e^{-x^2/2\sigma^2}$ <p data-bbox="237 1612 302 1633">where:</p> <ul style="list-style-type: none"> <li data-bbox="295 1633 548 1654">n = the number of measures <li data-bbox="295 1654 548 1675">y = a value from the ordinate <li data-bbox="295 1675 393 1696">π = 3.1416 <li data-bbox="295 1696 587 1717">e = 2.7183 (base of natural logs) <li data-bbox="295 1717 587 1738">σ = the standard deviation (pop.) <li data-bbox="295 1738 548 1759">x = deviation from the mean <p data-bbox="418 1822 760 1854">More Mathematical Tools</p>	



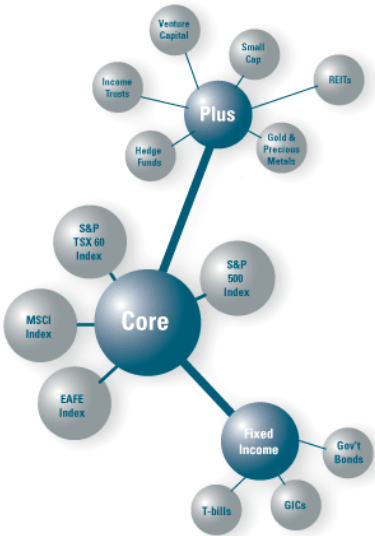
A Good Research Department

**Asset Allocation
Determines Performance**

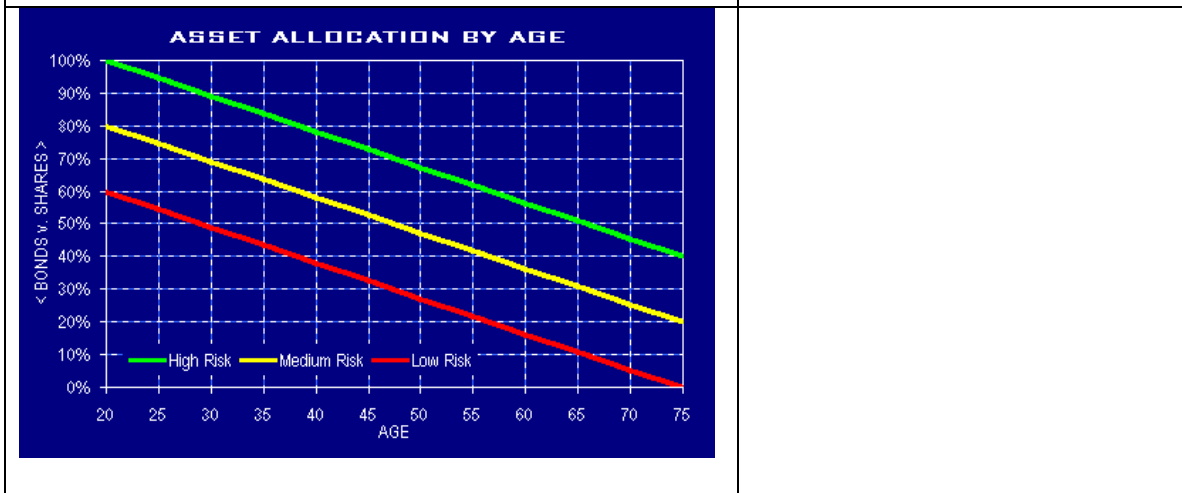
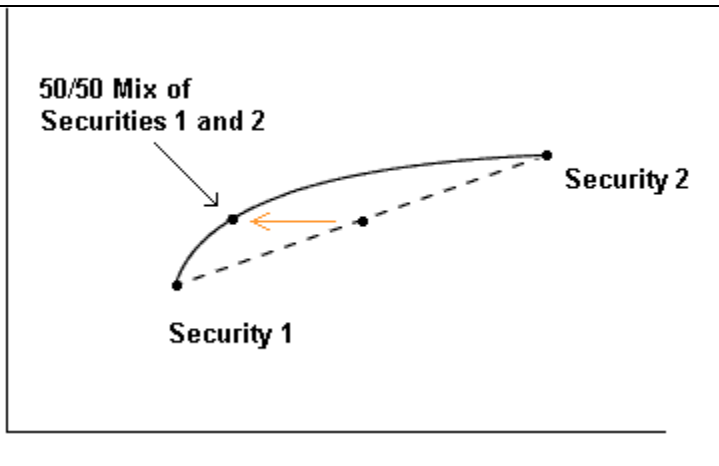
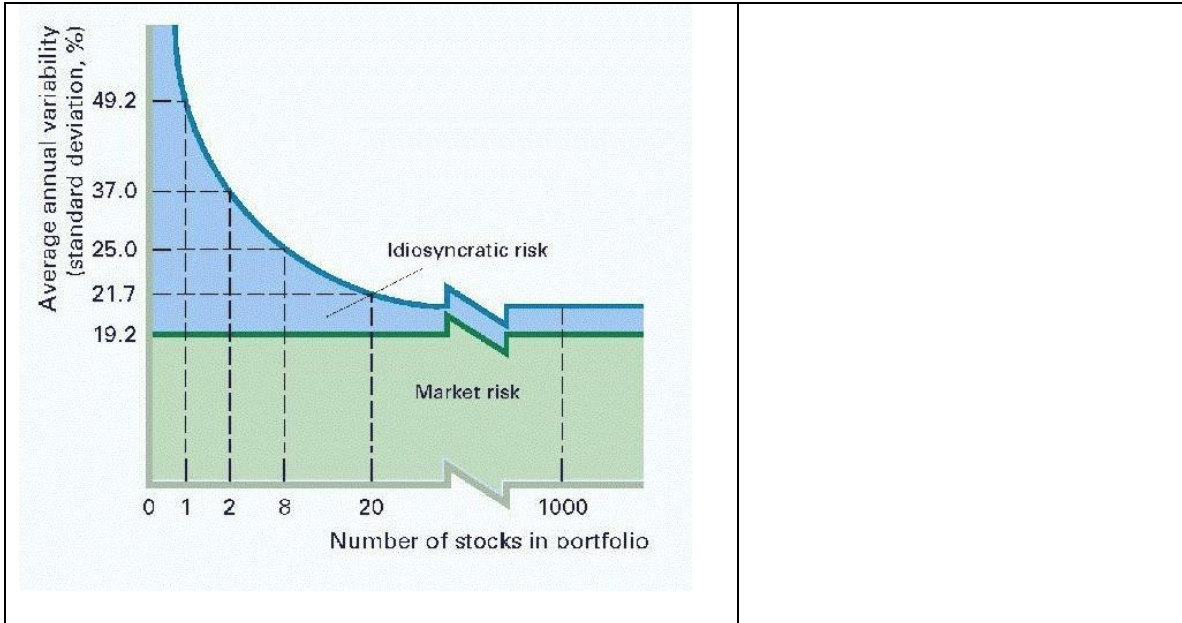


Ibbotson Associates, 2001



Asset Allocation Tools





Portfolio Construction Tools



**As We Think About the Clients Shown Below,
Let's Discuss the Duty We Owe to Them**

 <p>Abiku</p>	<p style="text-align: center;">Aggressive Abiku</p> <p>Abiku has a brokerage account which is coded for speculation and maximum capital gains, with a high tolerance for risk.</p> <p>Abiku generally makes unsolicited trades; however, today Abiku asks for our opinion regarding his proposed purchase of \$10,000 of near term call options on Ford common stock.</p> <p>Abiku is not a financial planning client.</p> <ul style="list-style-type: none">• What should we do?• Which Rules or Principles might be implicated?
 <p>Bonita</p>	<p style="text-align: center;">Bouncy Bonita</p> <p>Bonita has been a brokerage client for 3 years and always follows our buy-and-sell recommendations.</p> <p>Today, Bonita phones in to sell out her entire portfolio so that she can invest in Kruggerands. She says that she is very concerned about the coming inflation and just wants to protect what she has accumulated.</p> <p>Bonita is not a financial planning client.</p> <ul style="list-style-type: none">• What should we do?• Which Rules or Principles might be implicated?

 <p>Culinas</p>	<p style="text-align: center;">Calm Culinas</p> <p>Culinas has a brokerage account that is coded for moderate growth with a moderate risk tolerance. He has been rolling CDs since November of 2007 and now phones to say he wants to cash out of the CDs and put it all on the S&P 500.</p> <p>Culinas was a financial planning client from 2003 until December 2007 – at which time he refused to sign up for future financial planning services, saying that he could see the bubble and knew what to do without paying for our advice.</p> <ul style="list-style-type: none">• What should we do?• Which Rules or Principles might be implicated?
 <p>Dagika</p>	<p style="text-align: center;">Determined Dagika</p> <p>Dagika is 70 years old and is a partner in a book publishing business. She is interested in engaging us to help her with a business succession plan – she is hoping to retire and sell her business to her partner.</p> <p>With the expected sale proceeds, Dagika is very interested in establishing a comprehensive wealth management relationship with us, including a personal financial plan.</p> <p>Dagika mentions that she has read a lot about indexed annuities and would like to hear more about insured retirement solutions.</p> <p>Dagika is hoping that we can arrange a compensation structure whereby she doesn't have to pay out of pocket for the advice.</p> <ul style="list-style-type: none">• What should we do?• Which Rules or Principles might be implicated?



Eklutha

Eager Eklutha

Eklutha is a local attorney and refers many clients to us. He has been a financial planning client for many years.

Today Eklutha is phoning to ask if we would agree to serve as the Trustee of an Irrevocable Life Insurance Trust which his brother set up for him.

Eklutha has already asked his brother [an attorney], sister [another attorney], and CPA to be the Trustee – but all have said no thanks.

Eklutha says he is willing pay for Trustee services, or permit us to sell him a life insurance policy which he would then contribute to the ILIT.

Eklutha needs an answer right away.

- What should we do?
- Which Rules or Principles might be implicated?



Falana

Funloving Falana

Falana is the equity fund manager of a very large foundation. Falana is an insurance client of ours.

Today, Falana stopped by the office with several requests. First, she wonders if she could delegate her equity management duties to us while she takes some time off for traveling.

She also would like to engage us to write up an investment policy statement for her foundation – she hopes we could have it ready for her when she returns from her travels.

- What should we do?
- Which Rules or Principles might be implicated?



Keith

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