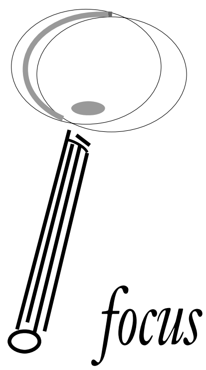
1

The Process and Practice of Personal Financial Planning



Learning Objectives

By the end of this chapter, you should be able to:

- Describe the personal financial planning process.
- Identify and explain the steps of the personal financial planning process.
- Describe the benefits to the CPA of adding PFP service to his or her existing practice.

INTRODUCTION: WHAT IS PERSONAL FINANCIAL PLANNING?

Personal financial planning (PFP) is a process through which a client's financial situation is assessed, goals are identified, and strategies for achieving those goals within a stated time frame are developed. PFP also provides for implementation and periodic monitoring. This process involves knowledge of a number of specialized subjects, including:

- taxation
- budgeting
- time value of money concepts
- risk management
- investment analysis
- estate planning

The aspiring CPA planner already has a fair amount of knowledge and experience in some of these areas, and, with study and practice, can develop deep knowledge in each of the others. CPAs are also in an excellent position to recognize cases in which PFP is needed, as this example makes clear.

EXAMPLE 1–1

A Couple In Need of Personal Financial Planning

Harold had been providing accounting and tax services to Dr. Fred Bates and his medical clinic for several years. The clinic was well-run, with few long-term debts, steady cash flow, and very little in the way of overdue receivables. The joint tax return of Fred and Lucille Bates, however, told a very different tale. Between Fred's earnings from the clinic and Lucille's compensation as a management consultant, the couple was grossing well over $300,000 per year, yet they were chronically cash-poor and seemed to be making few investments.

"Doc," Harold would counsel, "you and Lucille could save a bundle in taxes this year if you'd each maximize your retirement contributions. You've barely scratched the surface on those."

"I'd like to," Fred would tell him, "but things are tight just now, we need the cash to pay off some loans we've taken out."

In completing the couple's Schedule B, Harold also observed that most of the couple's savings were invested in bank CDs, and that they owned almost no stocks. "Stocks are risky," Fred told him, "That's why most of my saving and retirement funds are in bank CDs."

Other conversations with his client convinced Harold that the Bates were financially rudderless, and not making the most of their income resources. "Harold," the doctor asked, "Lucille and I paid about $9,000 this year in credit card interest. Can we deduct that from our taxable income?"

The case of the Bates is not unique, and is probably familiar to many CPAs who deal with high-income clients. Many business owners, professionals, and corporate employees, like Fred and Lucille, spend a great deal of time earning money but devote a surprisingly small fraction of their time to taking stock of their financial situations, setting goals, and putting their high income to work. The result is that many seemingly wealthy people live from paycheck to paycheck and will be unable to retire at the standard of living they now enjoy.

A client's Form 1040 and related schedules are useful tools in diagnosing financial planning needs. Michael Ruff has published a checklist of items that the CPA planner can use when reviewing the clients 1040 form. We've adapted it here in Exhibit 1–1, and revisit appropriate parts of it throughout this course. Each indicates a financial planning need.

Personal financial planning can benefit clients in significant ways. It can help them to:

- identify and achieve their financial goals
- assure funding for their childrens' higher education and for their own retirement
- safeguard assets from risk
- provide for survivors
- achieve a better risk-adjusted return on their investments
- minimize their tax obligations
- transfer property according to their wishes at death

Exhibit 1–1

Tax Return Checklist for Identifying Financial Planning Needs

INVESTMENT PLANNING

- Does investment income suggest a concentration of investments in one area?
- Does the investment mix appear appropriate considering the client's stage of life and capacity for financial risk?
- Does investment income suggest a liquid fund has been established for emergencies?
- Does the number of capital gain and loss transactions indicate excessive trading? If so, does the client need a coordinated investment plan?
- If a family-owned business exists, is there a succession plan that will preserve the business's value and provide liquidity?

CASH FLOW PLANNING

- Given the number of family members, does the level of income appear sufficient to provide for necessities plus a suitable amount of savings?
- Does the level of investment income demonstrate past successes in accumulating savings and managing cash?
- Is investment income increasing or decreasing? Does a decline suggest a net cash outflow?
- Do Schedule A interest and debt service represent an acceptable percentage of income?

EDUCATION FUNDING

- Does the tax return show there are children in the family?
- Do the children file tax returns pointing to the establishment of education funds in their names?
- If funds previously have been transferred to children, does the client understand the consequences of making gifts in trust versus making outright gifts?
- If there is a family-owned business, are working-age children receiving wages?

RISK MANAGEMENT

- Does the taxpayer's occupation require special coverage? (For example, a surgeon may need disability insurance that pays when he or she is unable perform his or her own occupation.)
- Is family income dependent on one wage earner?
- Do the number and ages of dependents suggest income continuation needs are likely to be high in the event of death or disability?
- If the tax return shows ownership of rental property or Schedule C income, does the insurance expense appear reasonable in relationship to the property's value?
- Are there extraordinary medical expenses? Do the expenses indicate inadequate health insurance coverage or special needs?
- If the client receives Social Security benefits, has he or she elected coverage under part B of Medicare?

RETIREMENT PLANNING

- Does form W-2 or Schedule C list coverage under retirement plans? Does the client make maximum contributions and deferrals?

Exhibit continued on next page.

Exhibit 1–1 continued from previous page.

- Does the level of wages suggest the client is likely to qualify for the maximum Social Security retirement benefit?
- Does Form 8606, “Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions,” indicate a prior accumulation of IRA investments?
- Considering age, accumulated investments, and level of debt, does the client appear to be on track toward funding retirement income?

ESTATE PLANNING

- Does the amount of income on the tax return point to a sizable taxable estate?
- Do the clients have wills? Trusts?
- Will the $600,000 exemption equivalent be wasted on the first spouse’s death by an excessive concentration of joint wealth?
- If a closely held business is part of the estate, is a buy–sell agreement needed?
- Does the estate have sufficient liquidity?
- Is life insurance, if any, properly structured to remain out of the estate?

Source: Michael R. Ruff, “Using Form 1040 to Identify Financial Planning Needs” American Institute of Certified Public Accountants, 1993. Reproduced with permission.

Clients recognize the value of these benefits, and are already obtaining many of them in a piecemeal, uncoordinated fashion from other financial service providers. Experience indicates that they are highly receptive to working with someone they already know and trust: their CPA.

Look At Who’s Planning

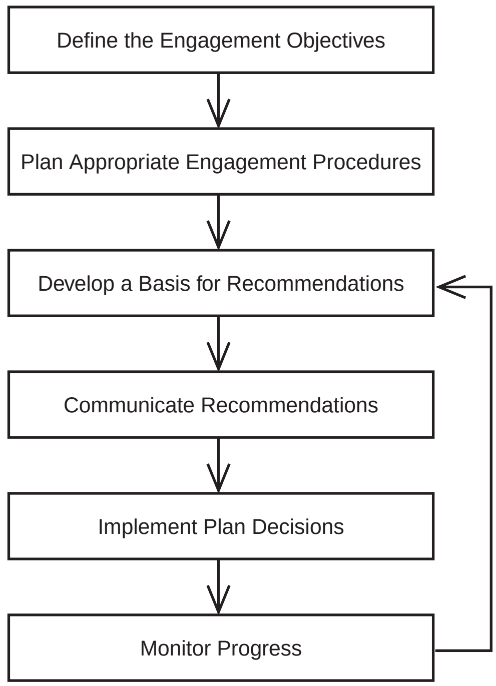
In their best-selling book, *The Millionaire Next Door*, Thomas Stanley and William Danko establish empirically what many readers may understood intuitively—that high net worth individuals devote a great deal of time to *planning* their wealth accumulation. One of Stanley and Danko’s Seven Factors for becoming wealthy, in fact, is allocating time, energy, and money in ways conducive to effectively building wealth. Among millionaires who built rather than inherited their wealth, the authors found that “[they] spend significantly more hours per month studying and planning their future investment decisions, as well as managing their current investment, than high-income millionaires.” (Stanley and Danko, 47).

PROCESS STEPS

The AICPA PFP Division has described the PFP process in terms of a logical sequence of steps, adapted here in Exhibit 1–2. These steps begin with the client and planner defining the objectives of their engagement, and produce

Exhibit 1–2

The PFP Process



Source: *PFP Handbook*, 1997 (New York: AICPA, Inc., 1997), 1–1 Adapted with permission.

a set of recommendations. Together they answer the three important questions of PFP:

1. What is my financial situation today?
2. Where do I want to go?
3. How will I get there? (AICPA, 1–1).

The steps proceed to implementation and their monitoring; a feedback loop provides for periodic evaluation of the recommendations. Let's look at each of these steps in detail.

Define the Engagement Objectives

The client and planner must determine the scope of their engagement within the overall PFP process. By agreement, the CPA planner may or may not be involved in each of the financial planning steps. For example, the client who is already working with a money manager and estate planning attorney may simply want the CPA planner to do an objective assessment of his or her current financial situation. This would be a "segmented" engagement. A *segmented engagement* addresses one or more specific areas of a client's financial plan. By agreement, this type of engagement may be limited to consultation, analysis, or recommendations that address specific areas, such as:

- taxation
- development of the client's financial statements
- estimation of income needs during retirement
- investment allocation recommendations

Planner and client should have a clear understanding of the scope of segmented engagements. This understanding should include a caveat that the planner must qualify his or her recommendations when certain planning areas are not considered within the scope of the engagement. The client needs to understand that had other planning areas been considered, different recommendations or decisions may have resulted.

In contrast, a *comprehensive engagement* takes a holistic approach to the client's overall personal and financial situation, within the context of the client's goals. Client goals are, in fact, the starting point of any comprehensive engagement.

About Goals

As much as you and a client may want to "get going" with situation analysis and plan development, time spent on determining the client's goals is time well spent. Consider three things from a client when you're talking about goals:

1. *Goals should be realistic.* That is they should be within the constraints of historic investment returns, client resources, time, and client capabilities.
2. *Goals should be specific.* Not "My goal is early retirement" *but* "My goal is to retire by age 60 with an annual income of $60,000 that will keep pace with inflation until I reach age 95."
3. *Goals should be prioritized.* Clients generally have more than one goal. Make them prioritize these goals. For example: "Goal 1 is to amass a college fund of $50,000 by January 2006. Goal 2 is to begin a regular series of retirement fund contributions; this will become Goal 1 once the college fund goal is reached."

In a comprehensive engagement, the PFP process is applied to at least the following planning areas:

- determining the client's financial position and cash flow
- income tax planning
- risk management and insurance planning
- retirement planning
- investment planning
- estate planning

Special needs such as education funding, a handicapped child, dependent parents, divorce or separation may also be considered. The comprehensive engagement not only addresses these many areas, but also takes their interrelationships into account.

Whether the engagement is segmented or comprehensive, the CPA should establish a clear understanding, *in writing*, of the objectives of the engagement and the service or services the planner will provide. Keep in mind, however, that the scope of the engagement may need to be revised as information about the client is uncovered.

> ***Note***
>
> The AICPA's *PFP Practice Handbook* contains a number of "illustrative engagement letters" that you can adapt in dealing with individual clients. We reproduced one of these as Appendix A for your information.

Plan Appropriate Engagement Procedures

Once you know something about the client and have a clear statement of the objectives of your engagement, you should specify procedures for meeting those objectives (i.e., what you and the client are expected to do).

EXAMPLE 1–2

Getting Started

"Miss Harmon, since the objective is to help you plan for retirement by age 60, I will need to get a clear picture of your current financial situation—income, savings, investments, liabilities, and so forth. I'll give you a questionnaire to fill out for that purpose. I'll also have to collect and analyze a number of documents, including those related to any IRAs you currently own and your employers' qualified retirement plan. We should also plan to talk about your investment experience, and about any financial objectives you have that may compete for funding with your retirement objective. Does December 1st seem like a reasonable deadline for doing these things?

"Once I have the facts and documentation in hand, and after we've talked a bit more, I will analyze the data and provide you with a general set of recommendations. You may want some fine-tuning of these recommendations once you've seen them. I and specialists in our office can help you implement whichever recommendations you accept.

"In any case, I would suggest that we review progress and reassess your financial situation on an annual basis."

Notice in the dialogue above that the CPA planner has spelled out what is expected of both planner and client. A time table for completing this work is also identified.

Develop a Basis for Recommendations

This step aims to gather, analyze, and integrate the data and information needed to make high-quality recommendations. A basis for recommendations involves:

- the client as an individual
- the client as financial entity
- assumptions about the environment within which the plan will be executed

Client as Individual

The planner must go beyond the goals obtained in the first step, and learn more about the client. What is the client's attitude toward spending, saving, and investing? Is this a person who will follow a disciplined budget? How risk averse is the client? Are his or her expectations about investment returns reasonable, given historic returns? What family, health, or life expectancy issues are relevant? If the client is married, the attitudes and interests of the spouse should also be determined.

The answers to these questions rarely take the form of the "hard" information with which the typical CPA is used to working. However, they must be factored into the planner's recommendations.

Client as Financial Entity

Data on the client's current financial situation is, fortunately, very concrete, and is dead-center within the CPA planners realm of training and experience. Depending upon the scope of the engagement, the planner needs information pertaining to:

- the client's income, assets, liabilities
- future income-earning prospects: are they likely to rise, decline, or fluctuate substantially over the planning period
- liquidity requirements
- the extent to which life, health, and casualty risks are being managed

Gather and file this information in a systematic way.

Assumptions about the Environment

No financial plan can be implemented within a vacuum. External factors such as inflation, taxes, economic conditions, legislative activity, investment markets, and interest rates are all part of the client's future, and since there are no *facts* about the future, reasonable assumptions must be made by the planner and accepted by the client.

Assumptions are used routinely by planners in time-value-of-money calculations and in projecting estimates of future income, retirement income requirements, investment returns, and the periodic saving and investment outlays needed to fund a future goal. Very small errors in assumptions can have a big consequence. For example, if we assume a 10 percent compound annual return on $10,000 investments made to a retirement account in each of ten years, the value at the end of the tenth year will be about $565,000. If the actual return is 8 percent, the client will end up with only about $500,000.

So, make assumptions with care. Be sure that they are reasonable and consistent within the client's plan and reassess assumptions on a regular basis.

Gathering Data

The data and documents required may include any or all of the following, depending upon the scope of the engagement:

- documentation for all existing assets and liabilities, current cash receipts and expenditures, and asset valuations
- documentation for all current investments and their cost bases
- if the client is a business owner, the legal form of the business (sole proprietorship, partnership, S-corporation, etc.) and any written articles of organization and other agreements
- stock option plan documents
- existing will and trust documents
- the titling and location of property owned by the client
- federal and state income tax returns and copies of W-2 forms for the past three years, and copies of last two months' paycheck stubs
- the client's latest employee benefit statement
- group and individual life, health, disability, long-term care, automobile, homeowner's, general liability umbrella, and other insurance policies
- beneficiary elections
- copies of insurance needs analyses prepared by insurance agents
- a statement of anticipated retirement benefits from the Social Security Administration

> **Note**
>
> Get actual documents whenever possible: insurance policies, benefits statements, brokerage statements. Simply asking the client "how much life insurance do you currently carry" or "what's the current value of your 401(k) plan" makes the integrity of your data dependent upon the client's memory or understanding of the facts—both of which may be seriously flawed. Also, according to Massachusett-based planner, John Napolitano, "Another reason you want to see these documents is to sell another engagement. Chances are that they don't have a business valuation. Chances are they don't have a written plan as to what happens if one of the key owners dies, is disabled, or just wants to leave."

Most planners use preprinted forms for gathering and recording this data. (The AICPA's *PFP Practice Handbook* has a complete set.) Some can be completed by the client, but others are best completed during a working session involving both planner and client. Many experienced planners indicate that these joint working sessions are invaluable opportunities to build trust, gather qualitative information about the client, and to refine the client's articulation of stated goals. You can use Exhibit 1–3 in these joint working sessions to gain greater specificity on client goals.

Exhibit 1–3

Goal-Setting Worksheet

Listed below are some common personal goals. Indicate the relative importance you attach to each by circling the appropriate number. Include other important goals as appropriate.

	High		*Medium*		*Low*
Maintain present standard of living	5	4	3	2	1
Improve present standard of living	5	4	3	2	1
Improve future standard of living	5	4	3	2	1
Financial independence at age 65	5	4	3	2	1
Financial independence by age ______	5	4	3	2	1
Full retirement by age ______	5	4	3	2	1
College education for children	5	4	3	2	1
Support of adult children	5	4	3	2	1
Distributing wealth to heir(s)	5	4	3	2	1
Support of parents or parents-in-law	5	4	3	2	1
Support of surviving (dependent) spouse	5	4	3	2	1
Supporting political or philanthropic causes	5	4	3	2	1
Change or modify career activities	5	4	3	2	1
Pursue family or social activities	5	4	3	2	1
Pursue other personal activities or experiences	5	4	3	2	1
Change or modify business enterprise	5	4	3	2	1
Transfer control of business enterprise to others	5	4	3	2	1
Transfer ownership of business enterprise to others	5	4	3	2	1
Organizing financial records	5	4	3	2	1
Saving regularly	5	4	3	2	1
Peace of mind regarding financial condition	5	4	3	2	1
Protection against financial loss	5	4	3	2	1
Unusual expense within foreseeable future:					
Change of residence	5	4	3	2	1
New automobile	5	4	3	2	1
Vacation house or recreational item	5	4	3	2	1
Extraordinary travel	5	4	3	2	1
Education for self or spouse	5	4	3	2	1
Children's weddings	5	4	3	2	1
Other goals:					
______________________	5	4	3	2	1
______________________	5	4	3	2	1
______________________	5	4	3	2	1
______________________	5	4	3	2	1

Source: AICPA, *PFP Practice Handbook, 1998/1999* (New York: AICPA, Inc., 1998), C–21. Reproduced with permission.

Perhaps the most important deliverable of data gathering is a set of personal financial statements: a balance sheet, income statement, and cash flow statement. As a CPA, you are already familiar with these statements, how they are developed, and how they can be used to gain insights about a client's asset allocation, liquidity, leverage, and net worth. The balance sheet for an individual is different than those you prepare for business entities in one very important way: it is based on current rather than historical values. Thus, a property asset is not recorded at cost, but at what it would realistically fetch in the current marketplace.

Note

The AICPA, PFP Division can provide you with a *Personal Financial Statement Guide*. This publication discusses standard operating practices as they relate to financial statement for PFP clients.

From Goals and Data to Recommendations

Once the CPA planner has a clear statement of the client's goals, and once all relevant data is in hand, the first two question of PFP ("What is my financial situation?" and "Where do I want to go?") have been answered. The planner is then prepared to answer the final question: "How will I get there?"

Recommendations must be based upon thorough analysis of the client's financial situation and a clear understanding and respect for the client's stated goals. The method of analysis will depend on the scope of the engagement. For example, if the scope of the engagement is limited to determining the client's current financial status, development of personal financial statements may be all that is required. If the engagement extends to risk management, the planner may need to estimate the future income needs of survivors, consider the possible need for long-term care insurance, and so forth.

Financial Planning Software

A number of software programs are available to help planners perform their analyses. Software is helpful in arraying quantitative data, determining financial ratios, and projecting estimated outcomes based upon stated assumptions. It is a great time-saver for the busy CPA planner. Like any tool, however, planning software can be dangerous unless you understand how it works—in this case, the analysis and time-value concepts underlying the results it spits out.

Communicate Recommendations

From the client's perspective, the key deliverable of the personal financial planning process is generally the planner's recommendation or set of recommendations. State your recommendations *in writing*. Make them brief and understandable to the client.

Recommendations should describe a clear path between where the client is currently, and where he or should would like to be. The client must decide whether to accept or reject these recommendations.

Add Context and Identify Assumptions

Recommendations should be communicated—either verbally or in writing—in ways that enhance the client's ability to make a good decision. For example, simply saying "You should increase your retirement savings," contributes very little to the client's ability to make a good decision. Surrounding the same recommendation with other information gives the client a better basis for a decision:

> You should increase your 401(k) plan contributions to the allowable limit, which in your case, is $10,500 each year. Doing so over the planning period will both reduce your taxable income—by roughly 30 cents for every extra dollar you contribute—and put you on track to meet the retirement goals you've described. My analysis of your cash flow statement indicates that you have the ability to make these larger contributions without undermining your other goals.

Assumptions should be identified and justified, especially when long-term projections are the basis of recommendations. For example:

> In terms of this recommendation's ability to meet your long-term retirement goal, I've assumed an 11 percent return on equity investments and a 5.5 percent return on fix-income investments. These are roughly the historic returns of those asset classes.

Present Alternatives

A recommendation offered without alternatives reduces the client's decision choice to a simple "yes" or "no." In the absence of alternatives, the client has no basis for evaluating the recommendation. Few financial planning choices need to be this limited; there are usually several paths to the same goal. For example:

"An alternative to increasing your 401(k) contributions would be to use those funds to purchase tax-deferred variable annuities with similar return characteristics. You won't be able to deduct these investments from your current taxes, but, on the other hand, your tax burden during retirement will be lower. And, like the 401(k) alternative, earnings on these annuities would be tax-deferred."

Describe a Plan of Action

The final component of communicating recommendations is a plan of action indicating:

- tasks that must be completed (e.g., engage an estate planning specialist)
- target dates for task completion (e.g., fund your SEP-IRA before the due date of your tax return)
- identify who will handle particular tasks (e.g. the client will engage an estate planning specialist to create a will, etc.)

> ***Note***
>
> For more on this step of the PFP process, see the AICPA publication, *Guide to Communicating the Results of Personal Financial Planning Engagement.*

Plan Implementation and Monitoring

The final two steps of the PFP process involve implementation and monitoring performance against the plan. Implementation of the planner's recommendations and their subsequent monitoring may not be part of the client engagement; indeed, in a team-based comprehensive engagement, other professionals may be assigned the tasks of implementation and monitoring.

Implementation involves assisting the client to act on planning decisions. It could involve selecting investment advisers, restructuring debt, creating estate documents, establishing cash reserves, preparing budgets, and selecting and acquiring specific investments and insurance products (AICPA, 1–9). Monitoring involves:

- determining whether action steps have been completed
- measuring progress toward stated goals
- ascertaining the appropriateness of the planner's recommendations in view of changes in the client's circumstances and external environment (AICPA, 1–9)

As a CPA planner, your role in implementation and monitoring may vary. In some cases, you will be responsible for completion of all steps in the action plan; in others, you will function as a team leader, coordinating the implementation through others. In other cases, you will perform specific tasks, such as developing client financial statements or tax planning.

THE BENEFITS OF PROVIDING PFP SERVICES

The benefits of financial planning for clients should be apparent. Napoleon Hill, author of *Think and Grow Rich*, offered this timeless wisdom on the virtues of planning:

> Plan your work and work your plan. Planning and goal setting are powerful. They can transform your life. The alternative, moving by guesswork, without practical, definite plans, is comparable to a ship without a rudder. Sooner or later, it will land on the rocks.

These words are as true today as they were in 1960 when he wrote them.

Personal financial planning also offers benefits to the enterprising CPA who includes it among the professional services offered to his or her clients. As the AICPA has put it: "Adding PFP services can broaden the scope of your practice and make it more interesting, offer new opportunities for generating revenue during otherwise slow periods, and provide the personal satisfaction derived from helping individuals set and reach their important financial goals." (AICPA, 2–1) More specifically, those benefits include:

- increased client loyalty
- greater profitability

- improved workload management
- personal development
- better staff utilization
- more referrals

It is perhaps for these reasons that a growing number of CPAs are adding PFP to their current client services. We'll come back to these benefits and the things you need to do to establish a PFP practice in Chapter 14 of this course.

recap

We began this chapter with a brief description of Dr. and Mrs. Fred Bates, a couple who, despite a high combined income, didn't have their act together. Using the couple's Form 1040 as a simple diagnostic tool, their CPA quickly recognized the result of consequences of their inattention to planning: spending too much, saving too little, and investing in taxable assets with low returns. PFP is a powerful antidote for the problems that afflict the Bates's and people like them.

This chapter has described PFP as a six-step process covering the following points:

1. Define the engagement objectives.
2. Plan appropriate engagement procedures.
3. Develop a basis for recommendations.
4. Communicate recommendations.
5. Implement plan decisions.
6. Monitor progress.

Armed with this proven process, the knowledgeable CPA can deliver the benefits of personal financial planning to a wide range of new and existing clients.

The remaining chapters of this course will make you knowledgeable on a range of subjects that every planner must understand.

? Review Questions

INSTRUCTIONS: *Here is the first set of review questions in this course. Answering the questions following each chapter will give you a chance to check your comprehension of the concepts as they are presented and will reinforce your understanding of them.*

As you can see below, the answer to each numbered question is printed to the side of the questions. Before beginning, you should conceal the answer in some way, either by folding the page vertically or by placing a sheet of paper over the answers. Then read and answer each question. Compare your answers with those given. For any question you answer incorrectly, make an effort to understand why the answer given is the correct one. You may find it helpful to turn back to the appropriate section of the chapter and review the material of which your were unsure. At any rate, be sure you understand all the review questions before going on to the next chapter.

1. Plan implementation and monitoring in a team-based comprehensive engagement: — 1. (c)
- (a) are the responsibility of the CPA planner.
- (b) are the responsibility of the client alone.
- (c) may be assigned to one or several team members.
- (d) are followed by complete disclosure to the client.

2. Which of the following best describes the personal financial planning process? PFP is a process: — 2. (b)
- (a) for monitoring the financial performance of a client's assets.
- (b) through which a client's financial situation is accessed, goals are identified, and strategies for achieving those goals are developed.
- (c) through which CPAs, lawyers, and money managers bring order to a client's financial affairs.
- (d) for reducing client taxes and maximizing investment returns.

3. A segmented engagement is one in which: — 3. (b)
- (a) the PFP work is divided into a logical sequence of activities.
- (b) the CPF planner addresses one of more specific areas of a client's financial plan.
- (c) the CPF planner acts as "quarterback" for a planning team of several specialists.
- (d) only one or two aspects of the client's financial situation are dealt with by the planning team.

4. Which of the following includes *all* of the PFP process steps? 4. (a)

(a) Define the engagement objectives; plan appropriate engagement procedures; develop a basis for recommendations; communicate recommendations; implement plan decisions; and monitor progress.
(b) Define the engagement objectives; plan appropriate engagement procedures; develop and communicate recommendations; implement plan decisions; and monitor progress.
(c) Plan appropriate engagement procedures; develop a basis for recommendations; communicate recommendations; implement plan decisions; and monitor progress.
(d) Define the engagement objectives; conduct investment and tax analysis; make and communicate recommendations; implement plan decisions; and monitor progress.

5. Planning appropriate engagement procedures involves: 5. (a)

(a) specifying what is expected of planner and client with a timetable for completing the work.
(b) identifying documents and information needed for developing recommendations.
(c) setting up an appropriate series of meetings between client and the planning team, including the CPA planner.
(d) setting date by which each planning activity will be completed.