



2022 PFP[®] Professional Competency Profile

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Canadian Securities Institute

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PERSONAL
FINANCIAL PLANNER

PFP® Professional Competency Profile

INTRODUCTION: AN OVERVIEW

USING THE PFP® PROFESSIONAL
COMPETENCY PROFILE

UNDERSTANDING THE
COMPETENCY STATEMENTS

APPENDIX SECTION A:
PFP® PROFESSIONAL
COMPETENCY PROFILE

APPENDIX SECTION B:
AFP EXAMINATION BLUEPRINT
PREPARING FOR THE AFP
CERTIFICATION EXAMINATION



INTRODUCTION: AN OVERVIEW

The *PFP® Professional Competency Profile* is the foundational document for the Personal Financial Planner (PFP®) designation. It describes the required competencies (i.e. the knowledge, skills and abilities) of professionals awarded the designation. This document, hereinafter referenced as the *Competency Profile*, was created from a comprehensive review of the work and environments of financial planners.

The review, also referred to as a job or task analysis, allows CSI to identify and validate what PFP® designation holders do and know in their role. This *Competency Profile* was built with significant input from various stakeholders and the population of PFP® designation holders to fully validate the content. It is expected to remain in effect for the next five years, when the next review is scheduled.

To fully encapsulate the role of financial planners, CSI implemented a multi-phase process for the development of this *Competency Profile* in keeping with best practices and industry standards and overseen by an independent third party.

This included a thorough review of external documentation related to the practice and work of financial planners, one-on-one interviews with practicing financial planners and a large-scale survey of designation holders to validate the results and outcome of the development process.

CSI also relied on the expertise of the PFP® Advisory Council, the volunteer body responsible for the oversight of the PFP® designation, for their input and final approval of the content of the *Competency Profile*. This process resulted in a *Competency Profile* focused on practical competencies in specific areas of financial planning, resulting in six technical and two enabling competency groupings.

Financial planners work collaboratively with clients to help them identify ways to meet their life goals through financial management. They establish trusted, long-term relationships with individuals; help them clarify and prioritize their life goals; and recommend appropriate financial strategies. Financial planners provide ongoing monitoring and review of the recommended financial strategies and will adjust those strategies as necessary. When providing financial planning services to clients, financial planners act in an ethical manner, and comply with relevant regulations and legislation.

The *Competency Profile* reflects the work of a financial planner and serves several audiences who can and should use the document for their unique purposes.

As the defining resource for what a financial planner can and does do in practice, CSI uses the *Competency Profile* to meet the educational prerequisite for the PFP® designation, and to set the specifications to meet the initial work experience and annual continuing education requirements for maintenance of the designation. It is also the criteria for the examination leading to the designation—the Applied Financial Planning (AFP) Certification Examination—and acts as the source for the examination blueprints included in Section B of this document.

For other users of the *Competency Profile*, CSI recognizes the distinct need and usage of the resource for each audience:

Designation Candidates

Candidates for the PFP® designation should use the *Competency Profile* to understand the scope of competence, knowledge and skills necessary to earn the designation and assess it for interest and applicability to their work and career. As the criteria for the AFP Certification Examinations, only the content included in the *Competency Profile* is subject to assessment on those examinations, and forms the basis for the examination blueprints which are included in Section B. Candidates should also evaluate their personal work experience against the expectations set out in the *Competency Profile*.

PFP® Designation Holders

Designation holders should use the *Competency Profile* to assess their ongoing continuing education needs; however, perhaps most importantly, it provides a resource for designation holders to demonstrate their value, competence, knowledge and skills to employers and consumers.

Educators

CSI uses the *Competency Profile* to assess education programs seeking accreditation as meeting the educational requirement. Accordingly, educators should use the *Competency Profile* to assess education programs, and to facilitate the development of education programs to best assist students in their pursuit of the PFP® designation.

Consumers

The *Competency Profile* provides a resource for the public to understand the services a PFP® designation holder may be able to offer, and the competence and knowledge that they possess. Further, the *Competency Profile* can illustrate how the role of a financial planner can align with regulatory requirements and standards to effectively serve them.

Employers

Financial planners work in a variety of environments. The *Competency Profile* identifies the competencies, knowledge and skills necessary for hiring and monitoring of performance in financial planning roles. And, as a road map, can provide guidance for directing future financial planners into appropriate roles.

UNDERSTANDING THE COMPETENCY STATEMENTS

The development of the *Competency Profile* resulted in eight broad competency themes: six technical and two enabling competency groupings, fully detailed in Section A.

The two areas that comprise the enabling competency groupings drive performance across all areas of financial planning, and inform performance in the accompanying technical competency groupings:

Enabling Competency Areas



Professional Conduct and
Regulatory Compliance



Client Relationship and
Practice Management

The six competency areas that comprise the technical competency groupings drive performance in specific functions within financial planning:

Technical Competency Areas



Asset and Liability
Management



Investment Planning



Retirement Planning



Risk Management
and Insurance



Tax Planning



Estate Planning

Each competency area represents behaviours of financial planners required for competent performance. In addition, each of the eight competency areas include the knowledge that drives the performance of competencies. The inclusion of both behaviours and knowledge in the *Competency Profile* speaks to the importance of having both a strong knowledge of financial planning and the ability to apply it in practice with clients. While the competency and knowledge lists are not exhaustive, they do represent what is most important for competent performance of the Personal Financial Planner (PFP®).

Users of the *Competency Profile* should understand that the assigned lists of knowledge drive behaviour expressed in the financial planning competencies. To demonstrate competencies in a specific area of financial planning, a financial planner is expected minimally to draw on knowledge in that area and other areas as well.

To illustrate, if demonstrating competency in the area of Investment Planning, a financial planner may be performing a behaviour that demonstrates competence to “determine appropriate investment strategies” (competency statement 5.10) for a specific client situation. To appropriately demonstrate that competency statement, the financial planner may need to apply knowledge of diversification, asset allocation and fixed income investments (attributed to competency statement 5.10) among other knowledge.

The development of the *Competency Profile* recognizes that while financial planning can be offered and delivered as a modular approach (for example, a client may wish to only discuss insurance needs, or retirement planning strategies), it is an otherwise iterative process. As such, it is reasonable to expect that knowledge from other competency areas will be required for appropriate demonstration of professional competence.

Using the example of demonstrating that one can “determine appropriate investment strategies”, it is reasonable to expect that a financial planner may also need to apply knowledge from retirement planning and asset and liability management in addition to investment planning for a client situation.

SECTION A:

PFP® PROFESSIONAL COMPETENCY PROFILE

1 Professional Conduct and Regulatory Compliance

COMPETENCY STATEMENTS

- | | |
|------|---|
| 1.1 | Adhere to the PFP® Code of Ethics |
| 1.2 | Comply with federal and provincial laws and regulations relevant to the profession of a financial planner |
| 1.3 | Maintain knowledge of changes in the political, economic, and regulatory environments |
| 1.4 | Explain the role of a financial planner and the meaning of the PFP® credential |
| 1.5 | Act in the best interest of the client in providing financial planning services |
| 1.6 | Follow through on one's commitments |
| 1.7 | Demonstrate ethical judgment and behaviour in all situations |
| 1.8 | Treat all individuals in a non-discriminatory manner |
| 1.9 | Disclose potential conflict of interest to maintain the integrity of the professional relationship |
| 1.10 | Protect the confidentiality of the client's information |
| 1.11 | Explain how the client's information will be used |
| 1.12 | Deal effectively with the client's concerns, objections, and complaints |
| 1.13 | Identify the need for referral to prevent practicing outside of the limits of one's competence |
| 1.14 | Pursue professional development activities to update one's knowledge and skills |

KNOWLEDGE STATEMENTS

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|---|
| • The PFP® Code of Ethics |
| • Guiding values of the financial services industry |
| • Role and obligations of a financial planner |
| • Professional liabilities |
| • Know Your Client (KYC) Rule |
| • Know Your Product (KYP) Rule |
| • Use and protection of client's personal and financial information |
| • Methods to deal with ethical dilemmas, suspicious activities, and fraud |
| • Consumer protection |
| • Principles of securities regulation |
| • Public company disclosure and investor rights |
| • Ethics of trading |
| • Regulatory bodies in the financial services industry |
| • Compliance requirements |
| • Conflict of interest |
| • Complaint handling techniques |

2 Client Relationship and Practice Management

COMPETENCY STATEMENTS

- | | |
|------|---|
| 2.1 | Build rapport and maintain a relationship with a diverse group of clients |
| 2.2 | Treat the client with utmost care, empathy, and respect |
| 2.3 | Manage the client's expectations regarding financial planning while respecting life situation and financial cycle needs |
| 2.4 | Communicate a value proposition for financial planning services |
| 2.5 | Provide full disclosure of compensation structure and fees associated with financial planning services |
| 2.6 | Converse with the client to discover the client's goals and objectives |
| 2.7 | Use active listening to fully understand the client's needs and to confirm understanding |
| 2.8 | Communicate quantitative and qualitative information logically, clearly, and concisely |
| 2.9 | Adapt communication (in-person and virtual) based on the client's age, needs, and life circumstances |
| 2.10 | Assess the client's non-verbal behaviour |
| 2.11 | Examine the client's values, personality, lifestyle, and relationships that may influence financial planning |
| 2.12 | Assist the client in prioritizing short-term and long-term financial goals and objectives |
| 2.13 | Prepare a letter of engagement |
| 2.14 | Maintain the accuracy, relevance, and currency of the client's documentation for compliance and follow-up purposes |
| 2.15 | Seek feedback on the financial planning experience to implement improvements |

KNOWLEDGE STATEMENTS

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|---|
| • Client Relationship Model |
| • Life-cycle hypothesis |
| • Letter of engagement |
| • Value proposition |
| • Communication styles |
| • Forms of communication |
| • Interpersonal perception |
| • Values |
| • Personality traits |
| • Interview structure |
| • Interviewing techniques |
| • Behavioural finance |
| • Steps of the financial planning process |
| • Conflict management techniques |
| • Time management techniques |
| • Effective note-taking |
| • Effective use of technology |

3 Asset and Liability Management

COMPETENCY STATEMENTS

- 3.1 Identify the client's asset and liability management goals and objectives

- 3.2 Assess the client's financial knowledge and experience

- 3.3 Identify the client's attitudes toward debt and spending and saving habits

- 3.4 Identify the client's sources of income and expenses

- 3.5 Obtain relevant and accurate information on the client's personal and business assets, debt, and other liabilities

- 3.6 Examine the impact of the client's personal, family, and work circumstances on financial planning

- 3.7 Determine the client's legal issues that may influence financial planning

- 3.8 Prepare personal financial statements

- 3.9 Analyze financial statements

- 3.10 Create financial projections for future cash flow, net worth, and budget

- 3.11 Advise on the features and benefits of credit products and borrowing options

- 3.12 Explain the impact of credit standing on the ability to borrow

- 3.13 Determine appropriate asset and liability management strategies

- 3.14 Analyze advantages and disadvantages of asset and liability management strategies in relation to the client's goals and objectives

- 3.15 Recommend the optimal asset and liability management strategy

- 3.16 Implement the recommended asset and liability management strategy as part of the client's financial plan

- 3.17 Periodically review the asset and liability management strategy to determine the need for updates

- 3.18 Update the asset and liability management strategy to ensure its relevance to the client's goals, objectives, and life circumstances

KNOWLEDGE STATEMENTS

- Interest calculations

- Time value of money

- Cash flow statement

- Cash flow analysis

- Emergency fund analysis

- Debt management

- Account ownership types

- Business ownership structures

- Net worth statement

- Net worth analysis

- Budgeting

- Asset and liability ratios

- Compounding frequencies

- Credit

- Mortgages

- Home Buyer's Plan

- Legal and financial considerations of owning or renting real estate

4 Risk Management and Insurance

COMPETENCY STATEMENTS

- | | |
|------|---|
| 4.1 | Evaluate unexpected changes to circumstances and their implications for the client's financial plan |
| 4.2 | Assess the client's financial ability to deal with changes to circumstances |
| 4.3 | Identify reasons why the client may need insurance |
| 4.4 | Conduct an insurance needs analysis |
| 4.5 | Explain the features and benefits of insurance products |
| 4.6 | Determine appropriate risk management strategies |
| 4.7 | Analyze advantages and disadvantages of risk management strategies in relation to the client's goals and objectives |
| 4.8 | Assess tax implications of insurance products and risk management strategies |
| 4.9 | Recommend the optimal risk management strategy |
| 4.10 | Implement the recommended risk management strategy as part of the client's financial plan |
| 4.11 | Periodically review the risk management strategy to determine the need for updates |
| 4.12 | Update the risk management strategy to ensure its relevance to the client's goals, objectives, and life circumstances |

KNOWLEDGE STATEMENTS

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|---------------------------------|
| • The concept of risk |
| • Types of risk |
| • Approaches to risk management |
| • Insurance needs analysis |
| • Life insurance |
| • Long-term care insurance |
| • Disability insurance |
| • Critical illness insurance |
| • Group insurance |
| • Creditor insurance |
| • Business insurance |

5 Investment Planning

COMPETENCY STATEMENTS

- | | |
|------|---|
| 5.1 | Assess the client's investment knowledge and experience |
| 5.2 | Examine the client's return expectations and time horizon |
| 5.3 | Assess the client's investment risk tolerance |
| 5.4 | Discuss investment goals and objectives based on the client's needs and priorities |
| 5.5 | Determine an appropriate asset allocation based on the client's investment profile |
| 5.6 | Advise on the features and benefits of investment products |
| 5.7 | Analyze statements of investment holdings |
| 5.8 | Calculate risk-adjusted ratios for investments and portfolios |
| 5.9 | Calculate the required rates of return for investments and portfolios to meet the client's goals and objectives |
| 5.10 | Determine appropriate investment strategies |
| 5.11 | Analyze advantages and disadvantages of investment strategies in relation to the client's goals and objectives |
| 5.12 | Recommend the optimal investment strategy |
| 5.13 | Implement the recommended investment strategy as part of the client's financial plan |
| 5.14 | Periodically review the investment portfolio to determine the need for updates |
| 5.15 | Update the investment portfolio to ensure its relevance to the client's goals, objectives, and life circumstances |

KNOWLEDGE STATEMENTS

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|--|
| • Overview of the Canadian securities industry |
| • Regulators in the Canadian securities industry |
| • Insider information |
| • Investment theories |
| • Portfolio management theories |
| • Economic theories |
| • Return calculations |
| • Types of investment risk |
| • Relationship between risk and return |
| • Investment risk profile |
| • Diversification |
| • Asset allocation |
| • Fixed income investments |
| • Equity investments |
| • Stocks |
| • Hedge funds |
| • Segregated funds |
| • Mutual funds |
| • Exchange-traded funds (ETF) |
| • Portfolio analysis |
| • Portfolio management styles |
| • Fundamental investment analysis |
| • Technical investment analysis |
| • Transactional and fee-based accounts |
| • Buying and selling methods |
| • Leveraging |

6 Tax Planning

COMPETENCY STATEMENTS

- | | |
|------|--|
| 6.1 | Identify parties relevant to the client's tax situation |
| 6.2 | Identify the taxable nature of assets and liabilities |
| 6.3 | Identify current, deferred, and future tax obligations |
| 6.4 | Analyze implications of different taxation structures |
| 6.5 | Identify deductions, credits, and taxes payable |
| 6.6 | Determine appropriate tax planning strategies |
| 6.7 | Analyze advantages and disadvantages of tax planning strategies in relation to the client's goals and objectives |
| 6.8 | Recommend the optimal tax planning strategy |
| 6.9 | Implement the recommended tax planning strategy as part of the client's financial plan |
| 6.10 | Periodically review the tax planning strategy to determine the need for updates |
| 6.11 | Update the tax planning strategy to ensure its relevance to the client's goals, objectives, and life circumstances |

KNOWLEDGE STATEMENTS

- | |
|--|
| • Overview of the Canadian income tax system |
| • Earned income |
| • Other income |
| • Investment income |
| • Business or Professional Income |
| • Deductions from income |
| • Tax credits |
| • Tax shelters |
| • Income splitting |
| • Taxation of registered and non-registered accounts |
| • Registered Education Savings Plan (RESP) |
| • Taxation of foreign income and property |
| • Personal income tax returns |
| • Principal residence |
| • Personal use property |
| • Listed personal property |
| • Taxation of estates |
| • Taxation of trusts |
| • Tax consequences arising at death |
| • Employee stock options |
| • Residency and non-residency implications |

7 Retirement Planning

COMPETENCY STATEMENTS

7.1	Determine the client's retirement goals and objectives
7.2	Assess the implications of the client's longevity and healthcare costs for the retirement plan
7.3	Identify the client's family dynamics and business ownership that may influence retirement planning
7.4	Create financial projections based on the client's current position
7.5	Conduct a retirement income needs analysis
7.6	Identify compromises (if any) required to meet the client's retirement goals and objectives
7.7	Advise on the features and benefits of retirement accounts
7.8	Advise on the features and benefits of government benefit plans
7.9	Determine small business succession strategies for retirement
7.10	Determine appropriate retirement planning strategies
7.11	Analyze advantages and disadvantages of retirement planning strategies in relation to the client's goals and objectives
7.12	Recommend the optimal retirement planning strategy
7.13	Implement the recommended retirement planning strategy as part of the client's financial plan
7.14	Periodically review the retirement planning strategy to determine the need for updates
7.15	Update the retirement planning strategy to ensure its relevance to the client's goals, objectives, and life circumstances

KNOWLEDGE STATEMENTS

- Retirement income needs analysis
- Calculation of retirement income and expenses
- Registered Pension Plan (RPP)
- Registered Retirement Savings Plan (RRSP)
- Tax-Free Savings Account (TFSA)
- Registered Retirement Income Fund (RRIF)
- Registered Disability Savings Plan (RDSP)
- Locked-in Retirement Savings Plan (LRSP)
- Locked-in Retirement Account (LIRA)
- Life Income Fund (LIF)
- Deferred profit sharing plan (DPSP)
- Defined contribution pension plan
- Defined benefit pension plan
- Pension adjustment calculations (PA)
- Pension adjustment reversals (PAR)
- Vesting and locking-in provisions
- Canada/Quebec Pension Plan (CPP, QPP)
- Old Age Security (OAS) and Guaranteed Income Supplement (GIS)

8 Estate Planning

COMPETENCY STATEMENTS

- | | |
|------|---|
| 8.1 | Identify the client's estate planning goals and objectives |
| 8.2 | Identify the client's family dynamics and business relationships that may influence estate planning |
| 8.3 | Collect legal documents that have implications for estate planning |
| 8.4 | Advise on the features and benefits of estate planning vehicles |
| 8.5 | Explain different types of the Power of Attorney |
| 8.6 | Assess the liquidity of estate at death |
| 8.7 | Assess the structure of the client's estate plan and its implications for taxation |
| 8.8 | Assess the needs of beneficiaries |
| 8.9 | Consider the implications of small business ownership on estate planning strategies |
| 8.10 | Determine appropriate estate planning strategies |
| 8.11 | Analyze advantages and disadvantages of estate planning strategies in relation to the client's goals and objectives |
| 8.12 | Recommend the optimal estate planning strategy |
| 8.13 | Implement the recommended estate planning strategy as part of the client's financial plan |
| 8.14 | Periodically review the estate planning strategy to determine the need for updates |
| 8.15 | Update the estate planning strategy to ensure its relevance to the client's goals, objectives, and life circumstances |

KNOWLEDGE STATEMENTS

- | | |
|---|--|
| • | Wills |
| • | Executor, guardian, and trustee appointments |
| • | Intestacy |
| • | Probate |
| • | Powers of Attorney |
| • | Estate administration process |
| • | Net worth at death |
| • | Estate liquidity at death |
| • | Personal property ownership |
| • | Business ownership succession planning |
| • | Trusts |
| • | Common law |
| • | Civil law |
| • | Marriage |
| • | Separation/divorce |
| • | Dependant support |

SECTION B:

AFP EXAMINATION BLUEPRINT

Examination blueprints are foundational documents that outline the content and format of examinations. For the purposes of the Applied Financial Planning Examination, it sets out the examination format, how the competencies within the assessment criteria – the PFP® *Professional Competency Profile* – will be weighted on the examinations, and the exam length.

The Applied Financial Planning Certification Examination consists of two three-hour examinations: AFP 1 and AFP 2. AFP Exam 1 is an examination of 105 stand-alone, multiple-choice questions. AFP Exam 2 is a constructed response examination featuring three to four case studies, reflecting typical financial planning situations a financial planner may encounter. Each case will have three to four related questions, for which candidates will type in their responses. These examination blueprints were created with industry input from practicing financial planners, and approved by the PFP® Advisory Council. The competency statements included in the *Competency Profile* will be weighted on AFP Exam 1 and AFP Exam 2 as follows:

COMPETENCY		AFP EXAM 1	AFP EXAM 2
		% WEIGHTING BY COMPETENCY	% WEIGHTING BY COMPETENCY
ENABLING COMPETENCIES			
1	Professional Conduct and Regulatory Compliance	10%	10%
2	Client Relationship and Practice Management	6%	7%
TECHNICAL COMPETENCIES			
3	Asset and Liability Management	11%	13%
4	Risk Management and Insurance	12%	12%
5	Investment Planning	17%	15%
6	Tax Planning	14%	14%
7	Retirement Planning	17%	19%
8	Estate Planning	13%	10%
TOTAL		100%	100%

PREPARING FOR THE AFP CERTIFICATION EXAMINATION

Each of AFP Exam 1 and AFP Exam 2 assess only the competencies contained in the *Competency Profile*. The AFP Certification Examination provides the opportunity for candidates to attest to their level of competence and in preparing for such are encouraged to ensure that they possess the requisite knowledge and skills and the ability to demonstrate the competencies accordingly. **To benefit fully from the *Competency Profile* as a resource for examination preparation, candidates are encouraged to:**

REFERENCE

Reference the knowledge statements listed against course, study or other preparation materials to verify one's understanding of the required knowledge within the *Competency Profile*. Review and study the knowledge in the materials until comfortable.



REVIEW

Review the knowledge statements against the linked (and otherwise related) competency statements. Assess the ability to apply the knowledge and skills to demonstrate the competencies in unique client situations.

To illustrate, consider sub-competency 4.5 "Explain the features and benefits of insurance products". Two associated knowledge statements for that competency statement are 'life insurance' and 'critical illness insurance'. When preparing for the examination, consider the actions that the competency statement reflects, how it may be demonstrated in practice, and how each related knowledge statement may be applied to demonstrate the competency.

Review and apply how knowledge statements assigned to other competency statements may also be applicable. When candidates are unable to do those steps, they should expand their research and preparation to acquire the information necessary to sufficiently demonstrate the competencies.

Candidates are encouraged to repeat this preparation as necessary as they may be expected to demonstrate any of the competency statements included in the *Competency Profile* in the examination environment.