

CIFP FPSC-approved Capstone Course— Sample Letter of Engagement

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RUSH Financial Planning Services
2112 Syrinx Way
Middletown, British Columbia
G3N A1R
January 5th, this year

Letter of Engagement: Liam Birt, CFP® and Anil and Savita Kumar

Dear Mr. and Mrs. Kumar,

This engagement letter is designed to offer you a better understanding of the financial planning process and the comprehensive financial plan I will generate for you. This letter will also clarify the obligations I have to you, should you agree to accept me as your financial planner, and your obligations, as my clients, to help me design a plan that will achieve your stated financial goals.

Financial Planning Process

The financial planning process consists of the following six steps:

- i) defining the terms of our relationship
- ii) discussing your financial goals and obtaining your financial data
- iii) evaluating your situation based on the information provided
- iv) developing financial planning strategies and presenting them to you in a comprehensive written financial plan
- v) implementing some or all of the strategies outlined in the comprehensive financial plan
- vi) monitoring and revising the financial plan as necessary

In my dealings with you, I will follow this six-step financial planning process.

Scope of this Engagement

As discussed at our initial meeting, this engagement will include all services required to develop a comprehensive financial plan. These services will include but, are not limited to:

- reviewing and prioritizing your goals and objectives
- summarizing your current financial situation which includes developing a net worth statement, cash flow summary, budget and income tax analysis
- reviewing your current investment portfolio and developing an asset management strategy
- developing a financial management strategy, including financial projections and analysis
- assessing your exposure to financial risk and developing a risk management plan
- completing a retirement planning assessment, including financial projections of assets based on your estimated retirement date
- assessing your estate net worth and liquidity and developing an estate plan to ensure estate planning objectives are met

- identifying tax planning strategies to optimize your financial position
- integrating and prioritizing all strategies outlined above into a comprehensive financial
- presenting a written financial plan that will be reviewed in detail with you; it will contain recommendations designed to meet your stated goals and objectives, supported by relevant financial summaries
- developing an action plan to implement the agreed upon recommendations
- referring you to other professionals, as required, to assist with the implementation of the action plan
- managing the implementation of the financial plan
- monitoring financial performance in relation to your financial plan
- reviewing and assessing, on an on-going basis, the assumptions incorporated into your financial plan given changes in the economic, political and regulatory environment
- determining the necessity to revise your financial plan

If the scope or terms of this financial planning engagement is subject to change, it will be documented in writing and mutually agreed upon by all parties of the engagement.

Review and Monitoring

This will be an on-going professional relationship. At a minimum, we will meet on an annual basis to ensure the plan is still appropriate for you.

The annual plan review will include:

- discussing any material change in circumstances in your family's financial situation or financial goals as well as changes to the economic environment and how it may impact the recommendations made in your written financial plan
- advising you any material changes in the economic conditions or the law
- discussing the need to change any assumptions made in developing your written financial plan
- adjusting the recommendations to accommodate any changes in circumstances or assumptions
- confirming what recommendations have been implemented by you as part of the action plan
- updating your financial and personal information
- incorporating any material changes in the economic environment
- updating the recommendations to reflect the above changes

Confidentiality

Please be assured that all information that you provide to me will be kept strictly confidential. I am bound by professional rules that prohibit me from disclosing any of your confidential information without your written authorization (unless required to do so by law). This said, during the financial planning engagement it may, on occasion, be necessary to consult with other third-party professionals. At such times, I will first obtain your written permission to disclose your personal information to this third-party.

I will not use your personal information for personal benefit, regardless of whether or not it causes you harm.

Assumptions

In making my recommendations, I will need to make assumptions related to the expected rates of return on your investments, tax rates, inflation rates, lifestyle needs and other areas of financial planning. I will make sure the assumptions used are reasonable and realistic based on current and historical norms and I will clarify the basis for such assumptions in your written financial plan. I will also discuss the implications of any changes in those assumptions within the plan. We will review the ongoing validity of these assumptions as part of the monitoring function.

Recommendations

I will review your financial situation and prepare a comprehensive financial plan which will include recommendations. I will then discuss and explain the financial plan with both of you. If the plan involves more than one alternative, I will clearly discuss the advantages and disadvantages of each alternative, the cost of each alternative and the risks involved in each alternative. I will also clearly communicate the time sensitivity of recommendations, the consequences of taking no action and the implications of a change in assumptions on the expected results.

Conflicts of Interest

I am required to declare any interest that may prevent me from offering objective and impartial advice to you.

Currently, I am unaware of any actual or potential conflicts of interest however, if any conflicts develop in the future—however remote they may be—I will fulfill my obligation to bring them to your attention in writing immediately.

Your Obligations

It is important to recognize that entering into this engagement amounts to entering into a relationship in which both parties—me as the financial planner and you as the clients—have responsibilities to ensure the relationship succeeds

In order to ensure that the comprehensive financial plan I will develop for you contains sound and appropriate financial planning recommendations, both of you will attend all meetings that are part of the financial planning process and any final decisions will be made jointly by the two of you.

It is your responsibility as my clients to provide complete and accurate information regarding all aspects of your personal and financial situation including objectives, needs and values, investment statements, tax returns, copies of wills, powers of attorney, insurance policies, employment benefits, retirement benefits and relevant legal agreements.

This list is not all inclusive and any other relevant information should be disclosed in a timely manner upon request. It is your responsibility to ensure that any material changes to the above noted circumstances (i.e. financial or lifestyle) are disclosed to me on a timely basis as they could impact the financial planning recommendations made for you.

Compensation

My financial planning practice is strictly fee-based. I specialize in investments and taxation and have professional designations in both areas that permit me to deal with these topics in detail with clients. I do not however sell specific investment or insurance products. I also do not earn or accept any commissions or referral fees from any third-party vendors from whom you may acquire any financial planning products that I recommend in my plan. I will keep you updated if any of my business affiliations or agency relationships change subsequent to this initial engagement.

My engagement fee is \$200 per hour plus applicable taxes for a comprehensive financial plan and one year of monitoring of this plan. I estimate it will take 20 hours to develop a comprehensive financial plan based on your situation and therefore, my invoice will be approximately \$4,000 plus 13% HST.

Payment terms include \$500 payable upon acceptance of this engagement with the balance due upon presentation of the comprehensive financial plan. Subsequent to the first year, our meetings will be subject to a fee of \$200 per hour. Please be advised that I do not receive a fee from the other professional(s) to whom you may be referred.

Termination of this Engagement

If you wish to terminate this engagement at any time, you can do so by notifying me in writing. Any fees incurred to that date will be accrued and payable in full.

I can end the engagement in writing upon providing you with a minimum of 30 days notice.

Complaints

Please do not hesitate to contact me if you are unsatisfied with my services. If I am unable to provide a satisfactory resolution to your concerns, you can file a complaint with the Canadian Financial Services OmbudsNetwork at 1-866-538-FSON or at <http://www.fson.org/>

Follow-up to our Initial Meeting

In our initial meeting on January 3rd, you identified the following issues as primary concerns that you would like addressed immediately:

- i) establishing a registered education savings plan (RESP) for your daughter, Nisha
- ii) exploring tax planning opportunities for your family
- iii) reviewing your investments

To keep our dealings manageable and to address your immediate goals, I will limit my initial advice and financial plan to these three issues. Importantly, we will discuss them in the context of your overall financial affairs so they will remain relevant when these recommendations become part of your comprehensive plan. I will produce a written initial plan and recommendations based on these three areas of concern however, this initial document is not to be confused with the comprehensive financial plan I am obligated to develop for you and that is the basis of this engagement.

Since there will be some overlap between this initial plan and the comprehensive plan, the fee for the initial plan has been incorporated into the fees detailed earlier.

In order for me to draft a more detailed plan, we will need to schedule a series of meetings that will allow me to gather the required information relating to all financial planning components.

I look forward to working with you, to establishing a long and mutually beneficial relationship and, most importantly, helping you reach your financial planning goals.

Yours truly,

Liam Birt, CFP®
RUSH Financial Planning Services

I have read, understood and accept the terms outlined in this engagement letter.

Mr. Anil Kumar

Date

I have read, understood and accept the terms outlined in this engagement letter.

Mrs. Savita Kumar

Date