

## Foundations of Financial Planning (FFP)

### Overview

This is an entry level subject dealing with the generic knowledge areas required for working in the financial services industry. It is usually the first course undertaken by students as it encompasses a wide variety of financial planning areas at a general level.

### Learning Outcomes

#### **Module 1: Introduction to Financial Planning**

On the successful completion of this module, you should be able to:

- Define financial planning and identify its role in meeting consumer needs
- Explain the role and functions of the financial adviser
- Identify the six steps of the financial planning process
- Explain the main needs of financial planning clients
- List the 'five financial stages of life' and describe the characteristics and issues, which may be of concern to clients in each of the five stages
- Identify client expectations of financial advisers
- Identify the participants in the advisory services market
- Identify the range of services provided by advisers
- Outline the changing role of the representative/adviser
- Identify relevant legal principles (Corporations Act, ASIC Act, Privacy Act, AML/CTF Act) that apply to financial advisers
- Explain the need for an Australian Financial Services Licence
- Explain the role of ASIC in the financial services industry
- Define financial product according to the provisions of the *Corporations Act 2001*
- Identify relevant industry standards and codes of conduct
- Explain the relationship between ethics and regulatory requirements
- Outline principles that may be followed when working with other professionals
- Demonstrate teamwork in developing and implementing financial plans.

#### **Module 2: The Financial Planning Process & Adviser Skills**

On successful completion of this module, you should be able to:

- Explain what is involved in each stage of the financial planning process
- Identify key skills that an adviser should possess and demonstrate to develop positive relationships with clients
- Outline the requirements for the complaints resolution process in the financial services industry
- Explain the role and contents of a Financial Services Guide (FSG)
- Identify aspects of collection and analysis of client information that forms the cornerstone of an effective financial plan
- Define and identify quantitative and qualitative information
- Identify client financial goals and objectives
- Determine a client's risk profile
- Identify the key areas to be addressed when developing recommendations
- Develop recommendations
- Explain the role and contents of a Statement of Advice (SOA)
- Explain the role and contents of a Product Disclosure Statement (PDS)

- Describe the requirements of the presentation interview
- Outline how a financial plan is implemented
- Explain administration requirements
- Explain the purpose and importance of the client review process
- Identify key requirements and responsibilities under the OHS legislation that applies to you and your workplace
- Identify hazards in your workplace and how to respond to those hazards in an appropriate way
- Explain the need for OHS procedures in your workplace
- Outline responsibilities for ensuring your health and safety and the health and safety of others in your workplace.

### **Module 3: Australian Financial Markets and Economy**

On the successful completion of this module, you should be able to:

- List the primary functions of a financial system
- Explain the role played by households in the functioning of a financial system and the interdependent nature of saving and borrowing
- List and describe financial services and products, which meet consumer needs in the five areas of household activity
- Describe the roles played by the banks and non-bank financial institutions in the Australian financial system
- Identify the elements of the domestic economy relevant to the provision of financial advice
- Explain the concept of economic growth and how it is measured
- Identify the key characteristics of the economic cycle
- Describe how inflation is measured and its impact on the economy
- Explain the relevance of international economic factors and the potential impact on the Australian economy
- Describe the elements of fiscal policy and its role in managing the economy
- Describe the role of the Reserve Bank of Australia and describe how it implements the government's monetary policy
- Describe the impact of monetary policy upon the domestic economy
- Describe the relationship between Australia and the global economy and the methods used to evaluate our position
- Explain the likely effects of changes in the exchange rate on the economy
- Explain the interrelated nature of key economic indicators and briefly describe the economic changes that they measure
- Outline the likely effect of particular economic events on interest rates and exchange rates
- Describe the potential impact of demographic change on the economic environment.

### **Module 4: The Australian Taxation and Social Security Systems**

On successful completion of this module, you should be able to:

- Identify the key elements of the Australian taxation and social security systems, including applicable legislation and regulations
- Apply taxation fundamentals to calculate an individual's tax liability, including income, deductions, offsets and Medicare liabilities
- Outline and apply capital gains tax provisions and calculation methods
- Describe the application of goods and services tax and fringe benefits tax
- Identify who is eligible to receive social security benefits and who administers them
- Explain the conditions under which the age pension may be received
- Calculate how much pension would be available to a recipient under the assets and income tests
- Advise what other benefits may be obtained from social security
- Identify the circumstances under which Family Tax Benefit may be received.

### **Module 5: Investment Fundamentals**

On successful completion of this module, you should be able to:

- Define risk and return
- Explain the relationship between risk and return
- Identify and briefly describe the main asset classes and alternative asset classes
- Explain diversification and its importance in the construction of an investment portfolio
- Explain the relationship between client risk profile and asset allocation strategy
- Outline the key principles for portfolio constructions
- Describe dollar cost average and explain its relevance to investment.

### **Module 6: Financial Products I**

On successful completion of this module, you should be able to:

- Describe the characteristics of the main asset classes
- Discuss the relative advantages and disadvantages of the main asset classes
- Classify investments according to their specific features
- Define and calculate dividend imputation
- Describe the characteristics of managed funds
- Analyse the advantages and disadvantages of holding investments indirectly via a managed fund
- Summarise the fundamental elements of managed fund evaluation
- List the benefits of administration platforms
- Explain the characteristics of investments bonds
- Calculate additional contributions allowable in relation to insurance bonds according to the 125% rule
- Describe the rules regarding the First Home Saver Accounts
- Define derivatives and hedging and describe how they are used to reduce risk.

### **Module 7: Financial Products II**

On successful completion of this module, you should be able to:

- Identify insurable risks that a client may be exposed to
- Explain the key features of general and life insurance products
- Estimate life insurance and income protection needs
- Determine appropriate risk management strategies
- Discuss the features of trauma and income protection insurance
- Identify key elements of the *Insurance Contracts Act 1984 (Cth)*
- Examine the importance of retirement planning in light of current demographic and economic trends
- Describe the benefits and limitations of superannuation in relation to retirement planning
- Explain and calculate an employer's superannuation guarantee obligation and the implications of the superannuation guarantee charge
- Summarise and calculate relevant tax deductions, tax offsets and other calculations relating to superannuation contributions
- Apply the relevant taxation rates that apply to superannuation funds
- Identify superannuation legislation that relates to an individual's eligibility to contribute to superannuation and the retention/preservation of superannuation benefits
- Explain the withdrawal status and tax treatment of superannuation lump sum payments.

### **Module 8: Estate Planning**

On successful completion of this module, you should be able to:

- Explain the importance of estate planning and relevance to financial planning
- Outline the elements of an effective estate plan

- Describe the requirements for a valid Will
- Identify the conditions for a challenge to a Will
- Describe the legal effects of dying intestate
- Explain the nature and use of assets that pass outside the estate
- Describe the methods of payment of superannuation on death
- Explain when a power of attorney may be required
- Describe the use of testamentary trusts
- Apply the taxation laws concerning deceased estates.

### **Case Study**

Apply financial advice process principles and foundations to a client scenario.