

Short version

EFA & EFP

**European Financial Advisor &
European Financial Planner**

Core competence framework

Version 2016


European Financial Planning Association

INDEX

1. INTRODUCTION AND OVERVIEW
2. TAXONOMIC DESIGNATION OF LEARNING OUTCOMES / COGNITIVE LEVELS
3. LEARNING OUTCOMES FOR THE AREAS OF COMPETENCE
 - 3.1. Investment and Investment Risk
 - 3.2. Funds
 - 3.3. Portfolio Management
 - 3.4. Insurance
 - 3.5. Pensions and Retirement Planning
 - 3.6. Real Estate
 - 3.7. Credit / Financing
 - 3.8. Tax
 - 3.9. Laws, Regulations and Ethics
 - 3.10. Assessing Client Needs and Developing a Financial Solution
 - 3.11. Deepening / Enlargement of modules 1 - 9 (raising to EQF level 6)
 - 3.12. Estate Planning
 - 3.13. Financial Planning Process
 - 3.14. Financial Planning for Business Owners
 - 3.15. International Aspects of Financial Planning (Tax & Law)

1. EFPA's OVERALL AIMS

1. This Core Competence Framework provides EFPA's European Standards for offering financial advice in Europe.
2. Even if Core Competence Framework is a common standard for all members National variances are possible if necessary to fulfil regulatory or legal requirements or industrial needs. Nevertheless this must not lead to a material deviation from the standard.
3. The Core Competence Framework follows the education modules / areas for the EFPA European Financial Advisor™ (EFA) and EFPA European Financial Planner™ (EFP) respectively. These topics constitute the curriculum with recommended module weighting in proportion to their importance in the profile; each topic is further divided into subtopics.

MODULE	TOPIC	WEIGHTING	CERTIFICATE / STANDARD
Module 1	Investments and Investment Risks	20%	
Module 2	Funds	10%	
Module 3	Portfolio Management	15%	
Module 4	Insurance	10%	
Module 5	Pensions and Retirement Planning	5%	
Module 6	Real Estate	5%	
Module 7	Credit / Financing	5%	
Module 8	Tax	10%	
Module 9	Laws, Regulations, Ethics and National Law	10%	
Module 10	Assessing Clients Needs and Developing a Financial Solution	10%	
Subtotal 1		100%	EFA / (EFP) - EQF 5
Module 11	Deepening / Enlargement of modules 1 - 9 (raising to EQF level 6)	30%	
Module 12	Estate Planning	15%	
Module 13	Financial Planning Process	20%	
Module 14	Financial Planning for Business Owners	20%	
Module 15	International Aspects of Financial Planning (Tax & Law)	15%	
Subtotal 2		100%	EFP (EQF 6)

2. TAXONOMIC DESIGNATION OF LEARNING OUTCOMES / COGNITIVE LEVELS

1. The qualification requirements are presented in the form of learning outcomes in core areas of competence. The learning outcomes have to be differentiated by cognitive levels.
2. Taxonomic designation / cognitive level: Knowledge and understanding:
 - Knowledge includes those behaviours and test situations, which emphasise the memory and retention. Remembering includes recognition and recall of ideas, material or phenomena. The objects of knowledge can be various, such as knowledge of terminology, specific facts, conventions, classifications and categories, criteria, methodologies, principles, theories and structures.

- Understanding refers to a type of intellectual capacity such that the individual knows what is being communicated. The individual can make use of the material or idea being communicated without necessarily relating it to other material or seeing its fullest implications. Comprehension includes the ability to translate mathematical verbal material into symbolic statements and vice versa (so called translation), the reordering, rearrangement or a theoretical view on (case) material (so called interpretation), and the extensions of tendencies beyond the given data in order to determine implications, consequences or effects (so called extrapolation).

3. Taxonomic designation / cognitive level: Analysis / synthesis / evaluation:

- Analysis refers to the breakdown of any communication into its constituent element such that the relative hierarchy of ideas is made clear and the relations between the ideas are made explicit. Analysis includes the evaluation of elements, like ability to recognise unstated assumptions, or the ability to distinguish facts from ideas or opinions.
- Synthesis refers to the fusion of elements and parts so as to form a whole. This involves the process of working with pieces, parts, elements, etc. and arranging and combining them in such a manner as to constitute a pattern or structure which was unclear or not explicit before. The objective of synthesis can be the production of a proposed set of operations, a plan, and a set of abstract relations or a unique communication.
- Evaluation refers to the judgements of materials and methods for given purposes. The judgements concern the extent to which materials and methods satisfy both internal criteria, like consistency and logical accuracy, and external criteria, like functionality or honesty. Evaluation includes the use of standards of appraisal.

4. Taxonomic designation / cognitive level: Application:

- Application refers to the use of abstractions in particular and concrete situations. The particular and concrete situations could be anything from a case study to a social event. The abstractions may take the form of general ideas, rules of procedures, or generalised methods. The abstractions may also take the form of technical principles, ideas and theories, which must be both remembered and applied.

5 For the sake of simplicity we use in the following text a short form of the above mentioned terms. This means:

- “Understand“ includes knowledge and understanding
- “Analysis“ includes analysis / synthesis / evaluation
- Application“ keeps application.

3. LEARNING OUTCOMES FOR THE AREAS OF COMPETENCE

The EFPA European Financial Advisor / Financial Planner is expected to behave in accordance with the overall performance requirements of the following framework for the learning outcomes.

3.1. Investment and Investment Risk

Area of Competence 1: Investment and Investment Risk

Aim: The aim of this section is to provide the financial advisor / financial planner with the background required to understand and analyse the most important financial assets (bonds, stocks, derivatives) and its risk/return profile, being able to assess its adequacy to his client's portfolio. Basic principles of macro economics, fiscal and monetary policy and risk theory are included.

Coverage:

- Understand the Macro-Economic Factors that affect Investment Returns
- Investment Principles
- Financial assets
- Risk vs. Return
- Fundamentals of Derivatives

3.2. Funds

Area of Competence 2: Funds

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background to funds as a very important asset in his/her client's portfolio. It is important to understand not only what a mutual fund is, but how it works, agents involved and key differences among them. Also, the advisor should have skills and tools to pick up the best fund according with his/her client objectives and constrains.

Coverage:

- Mutual funds overview
- Mutual funds and their investment objectives
- Analysis and Selection of funds
- Hedge funds

3.3. Portfolio Management

Area of Competence 3: Portfolio Management

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background of portfolio management providing him/her the understanding of the tools being used for the portfolio construction. Also, the candidate should be able to explain in plain words to his/her client the key issues regarding the portfolio construction and performance.

Coverage:

- Risk and Return on Portfolio level
- Efficient Capital Markets
- Portfolio Theory
- Portfolio construction
- Performance Measurement
- Performance Information to Clients

3.4. Insurance

Area of Competence 4 : Insurance

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background in insurance.

Coverage:

- Principles of Insurance
- Fundamentals of Risk Management
- Legal and Financial Characteristics of Insurance
- Tort liability as applied to insurance
- Identification of life, health, homeowner and other liability risk exposure
- Life insurance
- Liability Insurance
- Health Insurance
- Corporate Insurance Plans
- Insurance Regulation
- Governmental and Professional Insurance Schemes

3.5. Pensions and Retirement Planning

Area of Competence 5: Pensions and Retirement Planning

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background on pension and retirement planning.

Coverage:

- Types of Retirement Plans
- Retirement income and needs analysis
- Distribution Options and Considerations
- Retirement planning strategies and considerations
- Employee Benefits
- Pensions
- Analysis of key factors affecting plan selection
- Government Sponsored Plans
- Annuities

3.6. Real Estate

Area of Competence 6: Real Estate

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background to the purchase of real estate.

Coverage:

- Property purchasing, key elements from bid process to purchase agreement
- Client types and matching client need to mortgage products
- Regulation and laws concerning the provision of advice

3.7. Credit / Financing

Area of Competence 7: Credit / Financing

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background to Credit / Financing.

Coverage:

- Credit risks
- Credit types / methods
- Residential building financing
- Leverage effect
- Debt conversion
- Collaterals

3.8. Tax

Area of Competence 8: Tax

Aim: The aim of this section is to provide the financial advisor / financial planner with an extensive background about the tax implication of the investment assets and how they affecting the client's tax liability.

Coverage:

- Overview on National and International tax system
- Income tax
- Inheritance tax
- Other relevant taxes, e.g. property tax
- Taxation of Insurance Products
- Taxation of Investments
- Taxation and Mutual Funds
- Other Tax Issues

3.9. Laws, Regulations and Ethics

Area of Competence 9: Laws, Regulations and Ethics

Aim: The aim of this section is to provide the financial advisor / financial planner with a comprehensive background to laws, regulations and ethics.

Coverage:

- Professional liability
- Ethics and Consumer Protection
- EFPA Code of Ethics
- Domestic Issues
- Contract Law
- Regulatory Frameworks of Investment Products in Europe
- EU Directives

3.10. Assessing Client Needs and Developing a Financial Solution

Area of Competence 10: Assessing client needs and developing a financial solution

Aim: The aim of this section is to enable the financial advisor / financial planner to combine the requirements of Areas of Competence 1-9 in order to assess client needs and produce a suitable financial solution for the client.

Coverage:

- Establishing the client-advisor relationships
- Gathering client data and determining goals and expectations
- Determining the client's financial status
- Financial needs arising from e.g. Terminal illness, Education needs
- Risk management needs and issues
- Income taxation needs and issues
- Investment needs and issues
- Retirement needs and issues
- Employee benefit needs and issues
- Estate planning needs and issues
- Developing and presenting a financial solution based on the client's needs
- Implementing the financial solutions
- Monitoring the financial solution

3.11. Deepening / Enlargement of modules 1 - 9 (raising to EQF level 6)

Area of Competence 11: Deepening / Enlargement of modules 1 - 9 (raising to EQF level 6)

Aim: The aim of this section is to enable the financial planner to raise his / her professional competence to EQF level 6.

Coverage:

- Deepening / Enlargement of Investments and Investment Risks
- Deepening / Enlargement of Funds
- Deepening / Enlargement of Portfolio Management
- Deepening / Enlargement of Insurance
- Deepening / Enlargement of Pensions and Retirement Planning
- Deepening / Enlargement of Real Estate
- Deepening / Enlargement of Credit / Financing
- Deepening / Enlargement of Tax
- Deepening / Enlargement of Laws, Regulations, Ethics and National law

3.12. Estate Planning

Area of Competence 12: Estate Planning

Aim: The aim of this section is to provide the financial planner with a comprehensive background to Estate Planning

Coverage:

- Estate Planning Principles on Law and Tax
- General knowledge about Estate Planning
- Types of Estate Planning Documents
- Property and Property Interests
- Methods of Estate Transfer
- Gift and Succession / Inheritance Taxation
- Estate Tax Deductions
- Calculations of Estate Tax Liability
- Trust and Taxation of Trusts and Estates
- Life Insurance for Estate Planning

3.13. Financial Planning Process

Area of Competence 13: Financial Planning Process

Aim: The aim of this section is to enable the financial planner to prepare a comprehensive Financial Plan.

Coverage:

- Establishing the client - planner relationship
- Gathering client data and determining goals and expectations
- Special planning needs / matters
- Financial Status Analysis / Determining the clients financial situation
- Developing and presenting a financial solution based on the client's needs
- Implementing the financial plan
- Monitoring the financial plan

3.14. Financial Planning for Business Owners

Area of Competence 14: Financial Planning for Business Owners

Aim: The aim of this section is to enable the financial planner with the tools required to understand the complexity of the business owner environment, in the sense of the relations between the company and family members. Also, it provides basic tools in order to be able to assess the valuation of the company.

Coverage:

- Family governance and communications
- Family wealth management
- Family Office (FO)
- Family Protocol (FP)
- Financial Statements Analysis
- Company valuation

3.15. International Aspects of Financial Planning (Tax & Law)

Area of Competence 15: International Aspects of Financial Planning

Aim: The aim of this section is to enable the financial planner with a comprehensive background to International tax and law aspects of Financial Planning.

Coverage:

- International Private Direct Taxes
- International Private Law

CONTACT DETAILS

- PHONE: +34 93 317 34 98
- ADDRESS: Av Tarradellas, 123 2nd Floor.
08029 Barcelona
- E-MAIL: info@efpa-eu.org
- WEBSITE: www.efpa-eu.org
- SOCIAL MEDIA: Twitter: [@efpa_eu](https://twitter.com/efpa_eu)

