



INSTITUTE OF FINANCIAL ADVISERS INC.

P4 - GLOSSARY

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This is a glossary of terms used in the Code of Ethics, Practice Standards or Rules of Conduct. Except as defined by relevant law, the terms listed below have the following meanings. The singular denotes the plural and vice versa, and the use of one part of speech also applies to others (e.g., adjective, adverb, verb and noun).

Advice: See Financial advice.

Adviser: See Financial Adviser.

Client:

A person or group of persons that has engaged a member to provide financial advice or services for the benefit of that person or group of persons, or another party that they are authorised to represent. For the purposes of any rule that extends beyond a specific engagement, a “client” also means person or group or persons that have engaged a member in the past.

Commission or brokerage:

Remuneration received by a member, intermediary or related party from a product supplier or other financial services intermediary, that is usually calculated as a percentage of the amount involved.

Competency

The abilities, skills, attitudes, judgements and knowledge required to competently perform the tasks of a profession.

Comprehensive financial advice:

Financial advice that covers all core components as appropriate and has an ongoing aspect.

Conflict of interest:

Circumstances, relationships or other facts that, as it may appear to a reasonable observer, place the interests of a member or related party in conflict with the interests of a client; or the interests of one client in conflict with the interests of another.

Core Components:

The key parts of comprehensive financial advice (to be considered in the context of regulatory requirements, economics and the analysis of financial information) include, but may not be limited to:

1. **Financial Management** (strategies, techniques and/or advice intended to optimise short, medium and long-term cash flows, assets and liabilities, including budgeting, cash management, the use of debt, banking, credit cards, etc)
2. **Risk Management** (strategies, techniques and/or advice aimed at controlling exposure to financial risk, including insurance, and alternative approaches to managing risks)
3. **Retirement Planning** (strategies, techniques and/or advice for the accumulation and application of wealth to meet needs and goals in retirement years, including adequacy and cash flow planning)
4. **Investment Planning** (strategies, techniques and/or advice aimed at building and managing investments likely to meet investment and other goals)
5. **Estate and Tax Planning** (strategies, techniques and/or advice for the ownership, protection, maximisation, and distribution of accumulated assets, and taking maximum advantage of legitimate opportunities to manage taxation).

The core components have been derived from the financial advice process.

Disclosure Statement:

A written or electronic document provided by a member or firm to a current or prospective client, designed to help the current or prospective client decide about doing business with that member or firm.

Engagement:

A formal or informal agreement covering services, and or products provided or contemplated to be provided by a member to a client.

Financial Advice:

Recommendations, opinions or guidance in relation to a financial product or financial strategy, decision or choice.

Financial advice process:

The process by which financial advisers develop strategies to assist clients in managing their financial affairs to meet life goals which includes: 1) Establishing and defining the relationship with the client; 2) Collecting the client's information; 3) Analysing and assessing the client's financial status; 4) Developing the financial advice recommendations and presenting them to the client; 5) Implementing the client's financial advice recommendations; and 6) Reviewing the client's situation.

Financial Adviser:

A Financial Adviser is an individual who provides recommendations, opinions or guidance to a member of the public in relation to a financial product or financial strategy, decision or choice.

Financial Adviser is also defined under the Financial Advisers Act 2008 as a person who performs a financial adviser service (s.8). A financial adviser service is when a person, in the course of business, gives financial advice, makes an investment transaction or provides a financial planning service (s.10). Financial advice is when a person makes a recommendation or gives an opinion or guidance in relation to acquiring or disposing of (including refraining from acquiring or disposing of) a financial product (s.11).

Member:

A current financial member of the Institute of Financial Advisers. For the purposes of rules that may extend beyond financial membership, member includes any person who was a financial member of the Institute of Financial Advisers at the time of circumstances that are under consideration. Where the context suggests this, member also means practitioner member, member's firm and related party.

Personal financial adviser: See Financial adviser.

Personal financial advice: See Financial advice.

Personal financial planning:

The internationally acknowledged process of developing strategies, considering relevant aspects of a client's financial situation, to manage financial affairs to meet a client's life goals, addressing some or (where the process is comprehensive) all of the core components while following the six-step process.

Practitioner member:

A member who provides financial advice and or services to, or for the benefit of clients. Such a person must be either competent to provide that advice and/or those services or be under the responsible supervision of such a competent person or firm, or under another arrangement approved by the Institute of Financial Advisers.

Related party:

An individual or entity from whom any direct or indirect economic benefit is received, or to whom such a benefit is given, as a result of implementing the recommendation of a member or carrying out a service to a client. A related party could include (but is not limited to) a spouse, family member, or colleague of a member, or a principal or related party to a members' firm.

Relationship of influence:

A relationship of influence is any relationship with a product or service supplier, a producer group, a member's firm, or other entity; that could materially influence or be perceived as materially influencing the advice or services provided by a member.

Remuneration

Any non-trivial economic benefit, whether monetary or non-monetary, that a financial adviser or related party receives or is entitled to receive for providing professional activities.

Risk profile:

A client's attitudes to, willingness, and capacity to accept risk (taking into account factors such as the client's age, time horizon and financial goals; earning capacity and ability to save; family situation including any estate planning issue; attitude to ownership of assets; attitude to investment including to factors such as volatility in returns and the potential for falls in the value of investments, insurable risks and the attitude to aspects such as excesses or stand down periods).

Risk profiling:

A process of measuring or otherwise assessing a client's risk profile.

Significant benefit:

Any reward (cash or otherwise) which in the context applying at the time is of sufficient size to be likely to influence – or which might reasonably be assumed by a third person as likely to influence – an adviser.

Six steps or six-step process:

The six-steps of the financial advice process, as adopted by the Institute of Financial Advisers as embodying the professional approach to financial advice. The six steps are as follows:

1. Establish the Engagement
2. Gather data and establish goals
3. Identify the present financial situation, potential problems and opportunities
4. Develop and recommend strategies to meet the client's needs and goals
5. Implement recommended strategies approved by the client
6. Review and revise the strategies and actions on a periodic basis

Statement of Advice:

A written or electronic document provided by a member to or for the benefit of a client at the time that advice is given in accordance with the Practice Standards and the Code of Ethics.

Sufficient information:

All information necessary for the financial adviser to make an informed analysis and recommendation.

Terms of review:

The frequency, scope, applicable fees and other conditions relevant to the financial adviser's review and re-evaluation of the client's situation.