

## **NAPFA Fiduciary Standard**

Talking Points, Internal & External FAQ

### **Member Core Talking Points**

- Consumers hear the word fiduciary often, but what it means in practice is not always clear. The NAPFA Fiduciary Standard reinforces NAPFA's longstanding expectation that members act as fiduciaries at all times. It establishes a clear benchmark for excellence by underscoring a Fee-Only, transparent approach to financial planning.
  - This provides an opportunity for advisors to reaffirm their commitment to putting their clients' interests first and to communicate the standards that support that commitment.
- The NAPFA Fiduciary Standard ensures advisors are grounded in professional knowledge and practice while adhering to five core fiduciary duties:
  - Fee-Only compensation: NAPFA Advisors don't sell products or earn commissions, so advice isn't influenced by sales incentives.
  - Clients come first, always: NAPFA Members are paid directly by clients, not by selling financial products.
  - Objective guidance: The Fee-Only model helps reduce conflicts tied to commissions and product sales, giving you confidence recommendations are centered on your best interests.
  - Goal-driven planning: Financial plans are built around your goals, providing clarity, transparency, and a framework for informed decision-making.
- NAPFA-Registered Financial Advisor members commit to putting clients first in every recommendation and every client relationship.

### **External/Media FAQ**

- **What is NAPFA?**
  - NAPFA is an independent professional association dedicated to advancing Fee-Only fiduciary financial planning. NAPFA-Registered Financial Advisors meet some of the profession's highest standards for professional competence, transparency, accountability, and client-first advice.
- **What is a NAPFA-Registered Financial Advisor?**
  - A NAPFA-Registered Financial Advisor is an individual who occupies a position of special trust and confidence. They must always act in the best interests of their clients by providing services solely in a Fee-Only capacity.
- **What is NAPFA announcing?**
  - NAPFA is introducing a new Fiduciary Standard that establishes a higher and clearer benchmark for Fee-Only financial planning by defining the duties required of NAPFA-Registered Financial Advisors.
  - The goal is to help consumers better understand what fiduciary means in practice and what it means to work with a NAPFA-Registered Financial Advisor.
- **Aren't advisors already held to certain standards?**
  - Yes, financial professionals operate under a variety of legal, regulatory and professional standards. The NAPFA Fiduciary Standard goes a step further by clearly defining the five fiduciary duties that guide the advisor/client relationship.
- **What makes this Standard different from other industry policies?**

- It requires NAPFA-Registered Financial Advisors act as fiduciaries at all times in their client relationship and follow a strict Fee-Only compensation model free from commission and product sales incentives.
- Advisors must also adhere to five core duties—Care, Loyalty, Compensation, Competence, and Engagement.
- **Why is NAPFA announcing this now?**
  - The term ‘fiduciary’ is widely used but not always understood by consumers. The NAPFA Fiduciary Standard aims to clearly articulate the duties and standards that have long distinguished NAPFA-Registered Financial Advisors and to provide consumers with a better understanding of what Fee-Only fiduciary financial planning means in practice
- **Why does this matter to consumers/clients?**
  - Consumers gain a stronger understanding of how advisors operate and greater confidence that the advice they receive reflects their best interests.
  - NAPFA-Registered Financial Advisors avoid compensation structures tied to commissions or product sales incentives. Clients won’t face sales pressure or worry about hidden incentives.
  - The NAPFA Fiduciary Standard gives consumers a clearer way to evaluate financial advisors and understand what distinguishes a NAPFA-Registered Financial Advisor.
- **Does this announcement imply that other advisors do not act in their clients’ best interests?**
  - No. Many financial professionals strive to serve their clients well under a variety of business models and regulatory frameworks. NAPFA believes the Fee-Only fiduciary model represents a higher standard of client-first financial planning because advisors are compensated solely by their clients and are not influenced by commissions or product sales incentives. The NAPFA Fiduciary Standard helps consumers better understand those distinctions when evaluating their options.
- **How does NAPFA enforce this standard?**
  - We require our members to hold CFP® certification and complete 60 hours of continuing education every two years.
  - Members and their firms also undergo reviews of disclosures to ensure adherence to Fee-Only principles and transparency expectations.
  - Each NAPFA-Registered Financial Advisor must adhere to the NAPFA Fiduciary Oath.
- **How will this impact the industry?**
  - NAPFA is raising expectations for financial advice with its Fiduciary Standard. It establishes a clear benchmark for transparency, consistency, and client-first advice while reinforcing NAPFA’s leadership in advancing Fee-Only fiduciary financial planning.

### **Internal Member FAQ**

- **What is NAPFA announcing?**
  - NAPFA is introducing a Fiduciary Standard that defines the principles and duties and standards required of members.
- **What does the standard include?**
  - Five fiduciary duties: care, loyalty, compensation, competence, and engagement including:
    - A requirement to act as a fiduciary at all times.
    - A Fee-Only compensation model with no commissions or incentives.

- Strong professional requirements, including CFP® certification and 60 hours of continuing education every two years.
- **What's new and different?**
  - The standard clarifies expectations by organizing them around five fiduciary duties. It defines how fiduciary responsibility applies across the full client relationship and how members demonstrate transparency and accountability.
- **What does this mean for members?**
  - Reinforces standards that most members already meet and strengthens how members can show value to clients.
  - The goal is to create a clearer point of differentiation for NAPFA members in the marketplace.
- **How should members explain this to clients?**
  - As a NAPFA-Registered Financial Advisor, I adhere to the NAPFA Fiduciary Standard. That means I provide advice solely on a Fee-Only basis, so I am compensated directly by my clients, not through commissions or product sales, and I am required to always act in my clients' best interest. NAPFA also requires CFP® certification and ongoing continuing education to help ensure advisors maintain a high level of professional competence.