

Project €FA Glossary of Terms:

1. Analysis (synthesis and 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.

2. 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.

3. Attitudes

Attitudes are the motivators of performance, the basis for continued competent performance. They include ethics, values, and priorities. Attitudes tend to operate at the subconscious level and are not consciously learned; attitudes can be assessed by psychometric tests, or inferred from behaviour.

4. Awarding Body

An awarding body is an organisation or consortium that awards financial advisor qualifications. Awarding Bodies can be at a national, European or sectoral level, and can be governmental or otherwise. Awarding Bodies must meet the requirements of the national regulatory authorities where applicable.

5. Branch Manager (banks)

A Branch Manager is a person responsible for the overall leadership and management of a (typically Bank) branch. Key responsibilities include

- developing branch sales;
- maintain a thorough knowledge of all products;
- provide staff training to include product knowledge, sales, referrals, customer service, risk management and policy & procedures;
- HR related functions including hiring, branch training, termination and discipline;
- developing new business and creating sales plans;
- acting as security officer for the branch;
- overseeing bank operations including maintaining audit requirements and compliance;
- budgetary planning;
- managing the branch and lead sales team;
- accountable for the audit integrity, risk management and security of the branch.

6. Candidate

A candidate is a learner whose competence is being assessed.

7. Commission

A *financial advisor* may be remunerated by means of commission paid by product providers.

1. A service charge assessed by a financial advisor in return for arranging the purchase or sale of a security, real estate or other financial product. The commission must be fair and reasonable, considering all the relevant factors of the transaction.
2. The payment of commission as remuneration for a services rendered or products sold is a common way to reward sales people. Payments often will be calculated on the basis of a percentage of the annual premium or sum invested.

8. Competence

‘Competence’ means the proven ability to use knowledge, skills and personal, social and/or methodological abilities, in financial advice or study situations and in professional and/or personal development. *In the European Qualifications Framework, competence is described in terms of responsibility and autonomy.* (EQF)

Each competence reflects an area of financial advising and comprises:

1. the underpinning knowledge required for competent performance on-the-job (K)
2. the skills required to offer financial advice to the standard required in the workplace (P) (know how)
3. the attitudes required to ensure continuing competent performance

Together the knowledge, skills and attitudes constitute the competence.

Competence = knowledge + performance skills + attitudes (K + P + A = C).

9. Competence-based Assessment

A Competence Based Assessment is an assessment process based on the collection of evidence on which judgements are made concerning progress towards satisfaction of the three elements of competence. [NB the competency-based assessment of an individual takes no account of the performance of others in the wider group being assessed (as is the case in norm-referenced assessment), and can be limited to mastery/non-mastery].

10. Credit

Credits express the volume or size of learning outcomes involved in achieving a particular learning programme. 120 ECVET credit points on average could be associated to the learning outcomes achieved by an individual in a year in formal full time VET context. This convention is purely indicative, it does not fix an absolute and rigid yardstick of measurement. It does not prescribe learning durations, required learning times or a mandatory learning effort.

11. Customer Relationship Manager (CRM)

A CRM is responsible for the planning and implementing of direct communication to develop and deliver a customer contact strategy in order to achieve repeat sales, up-sell and cross-sell goals and optimise customer satisfaction and loyalty.

Responsibilities may include:

- organising any necessary customer segmentation and identifying promotional activity which will increase sales to each segment; development of effective customer communications and promotional activities;
- communication effectively with all relevant departments to ensure awareness and understanding of customer communication strategy and ensuring that it is consistent and in line with customer communication strategy;
- analysing results of customer communication activity, using all available data to refine the targeting and to recommend refinements to the products on offer;

- provide a high quality, customer driven service by identifying and understanding the customer's financial needs, and where appropriate identifying and implement cross sales opportunities.

A Customer Relationship Manager has close working relationship with all function areas within the organisation e.g. retail sales

12. Curriculum

In formal education a *financial advisor curriculum* (plural curricula) is the set of courses and their content offered at an institution such as a school or university. In some cases, a curriculum may be partially or entirely determined by an external body (such as the European Financial Planning Association). The term curriculum describes the collective teaching, learning and assessment materials that are available for a particular course or program.

A crucial part of the *curriculum* is the definition of the course objectives which are often expressed in terms of learning outcomes and normally includes the assessment strategy for the program. These learning outcomes (and assessments) are often grouped into modules and the curriculum, therefore, comprises a collection of such modules, each specialising on a specific part of the curriculum.

A typical financial advisor curriculum would include modules on: assessing client needs; insurance; pensions; investments and investment risks; laws, regulations and ethics; real estate; (mutual) funds; and portfolio management.

13. Designation

A *Professional Designation* is a title/status that is conferred by a *Professional Body*, which indicates the professional status of the financial advisor and the right to offer financial advice under the governance of that Body. Retention of this status is dependent upon compliance with the stated requirements of the Body concerned. These requirements would typically include compliance with a Code of Professional Conduct, compliance with Continuing Professional Development requirements and the payment of fees. An important corollary to this is that a designation is not a permanent status and may be revoked if non-compliance with any of the specified requirements occurs. A *designation* is normally post-nominal (after the name) letters or titles.

14. ECVET

The European Credit System for Vocational Education and Training (VET) is extending the university-level European Credit Accumulation & Transfer System (ECTS) so that it also applies to VET learning programmes.

15. Entry Requirement

An entry requirement is a pre-requisite for entry to a particular learning programme. This prerequisite can be expressed as a competence or a

qualification or course that must have been already achieved in order to begin the new learning programme. To estimate the credit value for a learning programme (e.g. ECTS or ECVET) it is necessary to specify both the entry requirements and the learning outcomes, although for initial professional development (e.g. apprenticeship) it is often implicitly assumed to be the national curriculum of the school system.

16. European Qualifications Framework

The EQF is a translation device for comparing qualifications and Neutral reference point based on learning outcomes

- **How it works** - the core of the EQF is the 8 common achievement levels based on learning outcomes. Each of these specific achievement levels correspond to a comparable level of knowledge, skills and wider aspects of competence (such as autonomy).
- **Who is affected** – With greater trans-national transparency and comparability, the EQF benefits all levels of stakeholders: individuals, sectors, employers and social partners and education and training systems as a whole.

17. Fees

Fees represent payments to a financial advisor at a set hourly rate, or an agreed-upon percentage of assets under management, for an overall financial solution. When the plan is implemented, the advisor may also receive commissions on some or all of the investment products purchased, which would be fee-and-commission compensation.

18. Financial Advisor

European Financial Advisors are professionals offering transparent advice on financial matters to their clients by recommending suitable financial solutions. They behave ethically and have competence (appropriate attitudes, knowledge and skills) that equals or exceeds the €FA Competence Framework specification. Financial Advisor clients are individuals, households, families or small companies.

19. Financial Planner

ISO definition - *personal financial planner*

Individual who provides a service of personal financial planning to clients and who meets all of the ethics, competence and experience requirements contained in this International Standard

NOTE: A *personal financial planner* is also commonly referred to as a “financial planner” or “financial planning practitioner.

A *Financial Planner* or *Personal Financial Planner* is a practicing professional who helps people to deal with various personal financial issues through proper planning, which includes but not limited to these major areas: tertiary education planning, retirement planning, investment planning, risk management and insurance planning, tax planning, estate planning and business succession planning (for business owners). The work engaged in by this professional is commonly known as *personal financial planning*. In carrying out the planning function, he is guided by the financial planning process to create a detailed strategy tailored to a client's specific situation, for meeting a client's specific goals.

Financial planning is usually a six-step process, and involves considering the client's situation from all relevant angles to produce integrated solutions. The six-step financial planning process has been adopted by the International Organization for Standardization (ISO) and the details can be obtained from the organisation.

Although there are many types of *financial planner*, the term is used largely to describe those who consider the entire financial picture of a client and then provide a comprehensive financial plan.

20. Financial Services and products

Financial services is a term used to refer to the services provided by the finance industry. *Financial services* is also the term used to describe organisations that deal with the management of money: banks, investment banks, insurance companies, credit card companies and stock brokerages, merchant banks, credit card companies, consumer finance companies are examples of the types of firms comprising the industry, which provides a variety of money and investment related services. *Financial Services* are usually regulated.

Financial products are any financial instrument designed specifically for use by individuals or families to advance their private financial interests. Sales and advice on *financial products* will usually be regulated.

21. 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).

22. Learning outcomes/attainments

1. The set of knowledge, skills and attitudes an individual acquired and/or is able to demonstrate after completion of a learning process.
2. Statements of what a learner knows, understands and is able to do on completion of a learning process.
3. Evidence of learning outcomes (that can be assessed) may take the form of 'products', tests of knowledge, observation of performance.

23. Level (EQF)

Each of the 8 EQF levels is defined by a set of descriptors indicating the learning outcomes relevant to qualifications at that level in any system of qualifications.

24. Licence

To grant a *licence* is to give permission to work as a financial advisor. A licence is the document demonstrating that permission. *License* may be granted by a party ("licensor") to another party ("licensee") as an element of an agreement between those parties.

Licensure refers to the granting of a *license* to work as a *financial advisor*. Many privileges (like driving a car) and professions (like the law) require a license from the government in order to ensure that the public will not be harmed by the incompetence of the practitioners.

Financial Advisors become licensed through training and/or passing an exam. In many cases, an individual must complete certain steps, such as acquiring an educational degree in a particular area of study, before becoming eligible to attempt licensure. *Financial Advisors* may choose to advertise their licensed status by appending an acronym to their name where licensure is required by law.

Licensure may be perpetual or may need to be renewed periodically. It is very common for renewal to depend in part or whole upon evidence of continual learning.

Licensure is similar to professional certification, and sometimes synonymous, but generally, certification is not mandatory to be able to legally practice the profession. *Licenses* may be granted by a regulator in order for the *financial advisor* to be able to practice.

25. National Qualification frameworks

1. National Qualification frameworks seek to identify broad levels of equivalence between qualifications of different types (for example, academic, professional and vocational qualifications).
2. ‘National qualifications framework’ means an instrument for the classification of qualifications according to a set of criteria for specified levels of learning achieved. This aims to integrate and coordinate national qualifications subsystems and improve the transparency, access, progression and quality of qualifications in relation to the labour market and civil society.
3. The European Qualifications Framework is a meta-framework to facilitate transparency, mutual understanding and recognition between different countries and sectors.

26. Professional

A person who regularly performs the functions of a financial advisor.

A professional financial advisor is someone:

- whose area of practice includes frequently working beyond where “correct” solutions can be prescribed;
- who draws on a wide and deep knowledge-base augmented by practical experience in order to find good solutions; and
- who works in an important area of practice that has profound implications for individuals, organisations, society and the environment.

Professional financial advisor qualifications demand a relevant academic base, occupational competence, and “professional qualities”, e.g. commitment, aspiration, personal traits and attitudes which can be inferred from behaviour.

[Under MIFID, Investment Advisors will be required to have Professional Indemnity Assurance]

27. Professional Body

A *Professional Body* is a body appointed to represent a recognised ‘community of expert practitioners’ and as such it devises, informs, monitors and continually updates the benchmark standards of competence, both academic and practical, required in the practice of financial advice.

The body is governed either by a statute or a constitution and has the necessary full time resources to carry out its functions. Major functions include quality assurance, assessment of professional competence, the conferring of professional designations and the right to practice, development and management of a code of professional/ethical conduct and ensuring the currency of knowledge of members through the implementation and monitoring of Continuing Professional Development (CPD) programmes.

28. Professional certification

Professional certification is usually awarded by a *professional body*. Requirements will be a certain level of qualification and membership of the body. Possible requirements may be years of experience, signing up to a code of conduct or ethics, commitment to continuing professional development (CPD) and payment of a membership fee.

Certifications, generally, need to be renewed periodically, or may be valid for a specific period of time. Although it is common as part of a complete renewal of a financial advisor's certification, there is usually a requirement that the financial advisor show evidence of continual learning.

29. Professional profile

The set of standards of competence required to perform financial advising to recognised European standards (e.g. the European Financial Planning Association).

30. Qualification

'Qualification' means a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards.

31. Skills

'Skills' means the ability to apply knowledge and use know-how to complete tasks and solve problems. In the European Qualifications Framework, skills are described as cognitive (use of logical, intuitive and creative thinking) and practical (involving manual dexterity and the use of methods, materials, tools and instruments).

32. Standards

Financial Advisor Standards define standards of competent performance in the workplace for all the functions in financial advice. They specify appropriate attitudes, levels of workplace performance, and necessary underpinning knowledge and understanding. They specify the behaviours and outcomes which people are expected to achieve in the work environment. They encompass best current practice and anticipated future requirements.

33. Vocational Education & Training (VET)

Education and training which aims to equip people with skill sand competences that can be used on the labour market.

34. VET (Vocational Education & Training) programme providers

Vet programme providers are any organisations or individuals providing vocational educational & training services.

[VET providers may be organisations specifically set up for this purpose, or they may be others, such as employers, who provide VET as a part of their business activities. VET providers also include independent individuals who offer training services]

Additional key terms used within the European Financial Advisor framework itself and where an idea is described in very broad terms.

Area of Competence 1: Insurance

Topic:

1.1 Principles of Insurance

Pure and speculative risk

pure risk associated with extreme financial insecurity, include personal risks, property risks and liability risks

Major types of pure risk

major types of pure risks includes, but not limited to; personal risk (risk of premature death, risk of insufficient retirement income, risk of poor health, risk of unemployment), property risks (direct, financial loss due to physical damage, destruction or theft or indirect loss, loss that results indirectly from physical damage or theft); liability risks, other risks

Insurance agents

includes but not be limited to brokers (legally represent the insurer) independent agents (represent several insurers), exclusive agents (represent only one insurer or an insurance group), direct response insurer (does not employ agents but sells through mass market vehicles or post)

Topic:

1.3 Legal and Financial Characteristics of Insurance

Types of private insurers

i.e. stock insurers: *private insurance corporations owned by stockholders*; mutual insurers: *private insurance company owned by policy holders*; reciprocal insurance exchanges: *insured*

assume a proportional risk of all pooled insured

Amounts of life insurance

i.e. estate clearance account, income for the period after the death, life income to the surviving spouse, special needs and retirement needs

Topic:

1.6 Life Insurance

Sources of life insurance

includes individually purchased life insurance, employer sponsored life insurance, industrial life insurance (home service), credit life insurance (lender issued), fraternal life insurance (religious, fraternal, alumni, association, sponsored policies); group life insurance, wholesale life insurance (hybrid between individual and group life), salary savings life insurance (paid directly by employer); governmental sponsored plans

Types of individual life insurance contracts

includes term insurance and various types of term insurance (i.e. (annual) renewable term insurance, decreasing term insurance, level term insurance, re-entry term insurance, others); cash value policies (i.e. amount available in cash upon cancellation of an insurance policy before it becomes payable upon death or maturity); traditional fixed premium (participating or non-participating); forms of cash value life insurance; whole life insurance; endowment insurance; hybrid life insurance; 'modified' life insurance, graded-premium whole life, family income life policies, family maintenance policies, general family policies; variable life policies (i.e. life insurance for which payment is determined by performance of underlying investments chosen by the policy holder); universal life (life insurance which combines the low-cost protection of term

insurance with a savings component invested in a tax-deferred account, the cash value of which may be available for a loan to the policy holder); joint survivorship "second to die policy" (an insurance contract providing income periodically, payable during the longer lifetime of two insured); other

Terminology and life insurance policy provisions

includes assignment (absolute and collateral), grace period; incontestability; delay, suicide; reinstatement; policy loan provision; automatic premium loan provisions; beneficiary designation (primary, contingent, third party); aviation clause or exclusion; war; policy change; offer and acceptance (legal interpretation); extended insurance coverage; spendthrift clause; non-forfeiture values, simultaneous death clause, third party rights; other

Uses of policy dividends

include receipts of dividends as cash; reduce subsequent premium payments; dividend accumulations; paid-up additions; purchase term insurance

Vanishing premiums

i.e. a participating whole life policy on which dividend accumulate until those accumulated dividends plus future dividends are sufficient to pay all subsequent premiums under the policy

Types of settlement options

includes the interest options (policy proceeds retained by insurer and interest paid periodically); fixed amount option (payment of fixed amount periodically); fixed period option (payment received over a fixed period of time); life income option (policy proceeds paid during the lifetime); pure life option (policy proceeds paid during lifetime,

excess amounts remain revert to insurer); joint and last survivor income(policy proceeds paid over the life of two or more recipients)

Modified conditions to individual life insurance contracts

includes guaranteed insurability (guaranteed purchase) options (permits the insured the option of purchasing additional insurance without demonstrating insurability); double indemnity (accidental death) options (doubles the amount of life insurance if death is due to accident); waiver of premiums (premiums are waived if the insured is totally disabled before a specific age); accelerated death benefits (terminally ill person can collect some or all of their insurance before they die); terminal illness (insured with life expectancy of six months to a year can collect part or all of the insurance) options; catastrophic illness (person with certain catastrophic diseases to collect part or all the insurance) options; long term care (provisions allowing those needing long term care to receive part or all of insurance) options; other options (dump ins, children's insurance, premiums pattern changes etc.)

Topic:

1.7 Liability Insurance

Umbrella Policies

policies that provide means to fill the potential liability exposure that falls outside the scope of primary policies

Personal liability

includes ownership, rental, and/or use of automobiles; ownership or rental of premises; professional or business activities; directorships in corporations; credit unions; school boards and other organisations; employer liability exposure; ownership, rental, or use of

watercraft or aircraft; personal activities

Loss settlements

i.e. actual cash value; replacement costs; guaranteed replacement costs endorsements; other

Topic:

1.8 Health Insurance

Medical eligibility

includes hospital insurance, surgical insurance, medical and major medical expense insurance, dental expenses insurance, eye care insurance, etc.

Individual disability income insurance

i.e. maximum benefits period, perils insured against, waiting or elimination period for specific procedures; or government provisions for disability income (legislative provisions or descriptions)

Supplementary benefit

includes but not limited to: waiver of premium; guaranteed insurability; cost of living adjustment coverage; accidental death or accidental death and dismemberment coverage; etc.

Area of Competence 2: Pensions and Retirement

Topic:

2.1. Ethical considerations in retirement planning and employee benefits

Prohibited transactions

i.e. the provisions of products or services which violate or help another to violate the law, fiscal obligations or breach of Ethical codes), parties in interest (i.e. individuals whose pecuniary interests is directly affected by a cause of action in court, bankruptcy procedures, other legal proceedings etc.), confidentiality concerning retirement plans

Topic:

2.2. Types of Retirement Plans

Special retirement issues faced by women

i.e. lower overall income, lower pension resources, living longer, childcare, parental care, divorce, widowhood, financial experience, change of employers, etc.

Compliance rules for qualifying plans

the compliance rules for qualified plans as stipulated by the tax authority i.e. who is eligible, who can benefit, at what point does the plan vest, coverage requirements, non-discrimination rules [all employees treated equally])

Calculation methods

to calculate future annual retirement benefits includes flat amount formula, flat percentage of earnings formula, flat amount per year of service formula and percentage of earnings per year of service formula

Factors affecting suitability (for individuals or SEs)

the motivations of the client as an owner of a business and be able to determine an appropriate employee benefits plan to set up which will take into account, providing for the retirement of the client himself, maximising benefits for older or younger employees, maximise benefits for long term employees or relatively shorter term employees, employee contribution options, predictable costs versus variable costs, avoid or accept annual financial commitment, employees retain the right to access the money or not, administrative simplicity a priority or not

Topic:

2.3 Retirement income and needs analysis

Approach to clients needs (Types of individuals)

i.e. financially sophisticated client, dual career couple, highly compensated executive, owner of a professional practice or business, salaried employee, etc.

**Needs analysis
(Method for performing)**

i.e. the percentage of working income that an individual needs to maintain the same standard of living in retirement; usually 60-90%, the expense method (current living expenses in relation to future living expenses) and projected needed retirement savings (using current savings, projected needs and projected inflation as a barometer)

Sources of retirement income

the various sources of retirement income including social security, employer-sponsored retirement plans, and personal savings and investments and determine if these sources of income meet the client's retirement objectives

Calculation of retirement funds available to meet objectives

includes social security, employer-sponsored retirement plans, and personal savings and investments

Potential shortfall

the best methods for solving potential or imminent retirement income shortfalls include savings planning, increasing rate of return on current savings or investments, delay retirement, work part time during retirement, accept lower standard of living, obtain a reverse annuity mortgage (where available), utilise tax advantaged investment planning, repositioning of assets

Topic:

2.4. Distribution options and considerations

Methods of distribution

i.e. lump sum distributions, periodic/annuity distribution, joint and survivor annuity, etc.

Premature distribution

i.e. withdrawal from a qualified retirement plan before a specific age, the client may often have to pay a penalty on premature

distributions unless he meets specific exceptions

Excess contribution

i.e. amounts by which a retirement plan contribution exceeds the allowable limits, a penalty is often applied

Excess distribution

i.e. amount of a retirement payment exceeding the allowable limits, a penalty if often applied

Topic:

2.6 Employee Benefits

Types of employee benefits

i.e. health plan, dental plan, use of health spa, lease auto, travel expenses

Area of Competence 3: Investment and Investment Risk

Topic:

3.1. Understand the Macro-economic Factors that Affect Investment Returns (Economic Factors)

includes economic growth trends, productivity of labour and capital, technological change, international trade, capital movements, exchange rates (inside and outside Europe), money supply, demographic change

Topic:

3.2. Investment Principles

Investment principles

includes among others, fundamental, technical, value, growth, contrarian, and many other principles/philosophies of investing which could be used in the development of the client's portfolio

Diversification

includes the effects of inflation and of asset value deflation, liquidity, marketability, flexibility, volatility, tax impacts on specific products and services under different systems, and the synergies working on these various factors and principles

Investor constraints and attitudes

includes ability to risk loss of investment income or principle, earnings and the nature and stability of the employment, age, health, family responsibilities, and other obligations, ownership of closely held business or other non-marketable assets, likely or possible inheritance, allotment of investment income for specific projects or purposes, needs for current living expenses, ability of client to withstand market shifts, overall tax and estate status, quality of available investment management services, attitudes and emotional intolerance for risk, home-ownership, etc.

Investment objectives

includes but may not be limited to; income generation, preservation of capital, capital appreciation (long term, aggressive, etc.), tax avoidance (some European countries do not permit this type of investment policy)

Topic:

3.3. Forms of Investments

Common stock

i.e. blue chip, income stocks, growth stocks, cyclical stock, defensive stocks, speculative stocks, etc.

Issue, valuation and fluctuation

includes expected cash flows, investor-required rate of return, formulas, etc.

Performance measurement

such as earnings per share (EPS), price to earnings ratio (PE ratio) and dividend yields

Features of bonds

i.e. maturity date, maturity value/par value, coupon rates, yield to maturity, current yield, actual rate of return, bond ratings

Issuers

i.e. corporate bonds, government bonds, municipal bonds, agency bonds, etc.

Issue and valuation process

i.e. capitalised earnings, dividend growth, price/earnings, intrinsic value

Pricing

i.e. expected cash flows, investor required rate of return; bonds selling at a 'premium' and bonds selling at a 'discount'

Types of real estate investments

includes unimproved land investments (bare land), improved real estate, new and used residential lots, residential property, vacation property, low income housing, old buildings and certified historic structures, income producing properties/commercial properties, syndicates and limited partnerships

Investment vehicles (*where applicable*)

includes investment companies; unit investment trusts (i.e. tax authority registered investment company which purchase a fixed, unmanaged portfolio of income-producing securities and then sells shares in the trust to investors); cash equivalents (i.e. highly liquid, very safe investments which can easily be converted into cash, such as Treasury Bills and money market funds); international investments (i.e. mutual funds which invests in stocks and bonds of companies outside of the Country or EU)

Topic:

3.4. Risks vs. Return

Measurement of risk

includes volatility measurements (option pricing formulas), standard deviation measurements (square root of variance), and beta measurements (regression analysis)

Influence of time on investment risks

includes future values using single sums, present value using single sums, number of compounding periods using single sums, interest rates using

single sums, inflation-adjusted interest rates, others

Risk tolerance

i.e. averse, conservative, active, venturesome, etc.

Types of investment risk

includes fixed income security risk; inflation risk purchasing power risk; maturity risk; default risk; callability risk; liquidity risk; market/un-diversifiable risk; non-market/diversifiable risk; business risk; reinvestment risk; interest rate risk; regulation risk and explain the effect of these risks on particular types of investments includes but are not limited to annualised return (effective annual i.e. increase in value of investment, expressed as a percentage per year and taking into consideration the effects of compounding), total return (i.e. actual, non-annualised performance over a given period of time), risk-adjustment return; after-tax return, realised compound yields (percentage that a given amount or number would need to increase each year over a multi-year period in order to reach desired total, real (inflation adjusted) return, holding period return, internal rate of return, yield to maturity, yield-to-call, after tax yield etc.

Rates of return

Topic:

3.5 Taxation of Investments

Tax impact

includes but not limited to net present value concepts (approach used in capital budgeting where the present value of cash inflow is subtracted from the present value of cash outflows), internal rate of return (often used in capital budgeting, it's the interest rate that makes net present value of all cash flow equal zero); others

Area of Competence 4: Laws, Regulations and Ethics

Topic:

4.4. Domestic issues

Property arrangements within marriage

includes the rules of separate estate, divorce and death as well as law of wills, succession and administration of a deceased person's estate

Area of Competence 5: Real Estate

Topic:

5.1 Property purchasing, key elements from bid process to purchase agreement

Types of loans

include advance loans as well as final mortgaging

Documentation

i.e. purchases agreement, in connection with the transfer of real estate ownership

Area of Competence 6: Funds

Topic:

6.2. Mutual funds and their investment objectives

Types of funds and investment objectives:

includes growth funds (long term, aggressive, etc.), asset allocation funds, balanced funds, blended funds, bond funds, capital appreciation funds, clone funds, closed funds, crossover funds, equity funds, fund of funds, hedge funds, income funds, index funds, money market funds, municipal bond funds, prime rate funds, regional funds, sector funds, speciality funds, stock funds, tax-free funds, income funds, life-cycle funds,

global equity funds, small cap funds, global bond funds, high yield bonds, money market funds (where applicable), precious metal funds, and green or social responsibility funds and understand the various investment objectives they have

Area of Competence 7: Portfolio Management

Topic:

7.2. Efficient Capital Markets

Efficient market hypothesis

Efficient Market Hypothesis states that all relevant information is fully and immediately reflected in a security's market price, thereby assuming that an investor will obtain an equilibrium rate of return. There are three forms of efficient market hypothesis: weak form (stock prices reflect all information on past prices); semi strong form (stock prices reflect all publicly available information) and strong form (stock prices reflect all relevant information including insider information)

Topic:

7.3. Portfolio theory

Capital Asset pricing Model (CAPM)

economic theories that describes the relationship between risk and expected return, and serves as a model for the pricing of risky securities.

Sharpe market model

theory was invented by William Sharpe (1964) and John Lintner (1965)

Graham and Dodd method

an investment strategy based on security analysis and

identification. Investors buy stocks with undervalued assets speculating that these assets will appreciate to their true value

Topic:

7.4. Asset Allocation: Investment strategies

Tactical asset allocation

a portfolio strategy that allows active departures from the normal asset mixes according to specific objective measures of value and often called active management. It involves forecasting asset returns, volatilities and correlations.

Active and Passive Management

active management is the pursuit of investment returns in excess of a specified benchmark, whilst passive management is buying a well diversified portfolio to represent a broad-based market index without attempting to search out mispriced securities

Topic:

7.5 Standard Measurement Results

Return measures

returns being the change in the value of a portfolio over an evaluation period, including any distribution made from the portfolio during that period

Benchmarking

benchmarking is the performance of a predetermined set of securities used for comparison purposes

Topic:

7.6. Performance information to client

**GIPS
Global Investment Performance Standards**

GIPS are a set of ethical principles used by investment

management firms in order to establish a global standardised, industry-wide approach to creating performance presentations that communicate investments results to prospective clients

Area of Competence 8: The financial advice process: Assessing client needs

Topic:

8.2 Determining the client's financial status

Current financial status

includes but not limited to financial resources and obligation, i.e. investments and investment products, insurance products, employee benefits/pensions, social security status, tax status of financial products, general estate planning preparations, debts, property, and other relevant issues providing insights into the financial health of the client

Topic:

8.8 Retirement

Retirement

current retirement plan includes but not limited to investments, employee benefits, social security, the estate, insurance etc.