

IMCA

investment management consultants association

CPWA® Designation Program Learning Objectives November 2011–May 2012

Section 1: Ethics

1. List and differentiate among the seven elements of IMCA's Code of Professional Responsibility
2. Analyze the relationships among firm, advisor, client, and other applicable professionals given the responsibility of each CPWA designee to "place the financial interests of the client first"
3. List all applicable components of IMCA's Code requirement to disclose all services provided and compensation received including "soft dollar" benefits
4. Develop an annual process for improving ethical behavior that includes a disclosure statement listing all potential conflicts of interest including third party benefits between the CPWA designee and his/her clients
5. List all CPWA designation requirements including those needed to maintain the designation

Section 2: Tax Planning

1. Describe the mechanics of the individual income tax liability calculation and the use of multi-year modeling for tax planning
2. Determine the federal tax rates applicable to various items of income, such as ordinary income, dividend income, and capital gains
3. Recommend strategies for individual taxpayers to avoid penalties for underpayment of estimated income taxes
4. Identify transactions and situations that result in AMT adjustments, exclusions, and preference items
5. Summarize the calculation of AMT and how it differs from the regular federal income tax calculation
6. Develop strategies to avoid or minimize AMT and/or maximize the use of AMT credits
7. Describe charitable income tax deductions and limitations applicable to cash and appreciated asset contributions to public charities and private foundations and recommend strategies to maximize charitable contributions deductions
8. List interest expense classifications and applicable limitations including the treatment of mortgage interest, investment interest expense, and interest on business activities, and recommend alternative strategies to maximize current interest deductibility
9. Apply capital gains tax rules including the classification of short-term vs. long-term gains, netting of gains and losses, and deducting capital losses
10. Demonstrate an understanding of pass-through entities including the flow-through feature of income, limitations that apply at the individual level, classification of income as passive or non-passive, and the proper characterization of income and deductions to individual taxpayers
11. Demonstrate an understanding of tax basis rules and limitations as they apply to flow-through entities owned by individuals
12. Identify strategies to defer gains on various property transactions, including like-kind exchanges and sales of certain small business stock

CPWA® Designation Program Learning Objectives (*continued*)

13. Use the modeling process to evaluate timing and recognition of income and deductions and recommend appropriate strategies
14. Review individual income tax returns and identify key data used to maximize the tax efficiency of an individual's portfolio and related tax planning opportunities

Section 3: Portfolio Management & Behavioral Finance

1. Demonstrate the impact of taxes on long-term wealth accumulation and investment returns
2. Calculate different measures of tax efficiency and types of after-tax returns
3. Differentiate among the three major tax-loss harvesting strategies
4. Apply after-tax asset class assumptions in the asset optimization process
5. Evaluate bond and equity managers on an after-tax basis
6. Develop investment policies for taxable accounts
7. Position asset classes and managers by the tax characteristics of investment entities including personal taxable assets, qualified retirement accounts, and IRAs
8. Describe how traditional equity manager capitalization and style orientation can be detrimental to taxable investors
9. Integrate an appropriate mix of alternative investments into a portfolio based on a client's objectives, time horizon, risk tolerance, and applicable constraints
10. Describe the primary structures and strategies available for socially responsible investing
11. Explain Prospect Theory and how you support client decisions based on this information
12. Describe the Adaptive Markets Hypothesis and how it affects your client serving process
13. Describe the role that emotion plays in the decision making process and develop a diagnostic exercise to determine whether your client is predisposed to engage in an intuitive or deliberative decision making process, and explain how you will communicate with clients accordingly
14. Identify four decision making biases, two cognitive and two emotional, and how you will effectively help clients achieve their goals when these biases are in conflict with their stated objectives
15. Describe two findings from recent research on how the number of choices or options available can influence the outcome of the decision making process and how you will use this information to design more efficient presentation material
16. Explain how human physiology and neurology can impact financial decision-making, and list six specific examples of actions you will take to develop trust within your client relationships

Section 4: Planning for Executives

1. Identify "qualified" stock options and discuss the rules, advantages and disadvantages
2. Identify "non-qualified" stock options and discuss the rules, advantages and disadvantages
3. Compare exercise strategies for portfolios of stock options
4. Determine methods to minimize AMT liability on stock option exercises
5. Discuss the ramifications of simultaneous exercising of "qualified" and "non-qualified" stock options
6. Compare and contrast the cashless exercise, exercise and hold, and pyramiding options
7. Calculate tax basis and holding periods of options shares
8. Calculate downside risk from excess concentration
9. Analyze the results of Monte Carlo Simulation to illustrate probable outcomes of single stock positions versus diversified portfolios
10. Recommend appropriate strategies for hedging or diversifying concentrated stock positions

CPWA® Designation Program Learning Objectives *(continued)*

11. Describe and analyze best use, tax implications, risks, benefits, and limitations of outright sale of stock
12. Describe and analyze best use, tax implications, risks, benefits, and limitations of prepaid variable forward contracts
13. Describe and analyze best use, tax implications, risks, benefits, and limitations of costless collars
14. Describe and analyze best use, tax implications, risks, benefits, and limitations of exchange funds
15. Describe and analyze best use, tax implications, risks, benefits, and limitations of Charitable Remainder Trusts
16. Describe and analyze best use, tax implications, risks, benefits, and limitations of Section 10b-5 Plans
17. Define short-swing profit rules and exercise windows
18. Discuss company policy and insider information

Section 5: Planning for Closely Held Business Owners

1. Compare and analyze the most common legal forms of business entities
2. Recommend the most appropriate form of entity for a client's business
3. Recommend buy-sell agreement strategies in appropriate client situations
4. Analyze and differentiate between basic business valuation methods
5. Recommend appropriate sale structures based on the sale of a business to third parties, employees, and family members
6. Calculate and analyze the taxation of the sale of a closely held business to the seller and buyer
7. Formulate a plan to transfer business ownership to younger generations

Section 6: Retirement Planning

1. Calculate present value (pv) and future value (fv) of an ordinary annuity and annuity due, rate of return and interest (i); solve for a series of payments (pmt) or investments; calculate or solve for a period of time (n); solve for net present value (npv) and internal rate of return (irr)
2. Recommend an appropriate sustainable retirement portfolio withdrawal rate
3. Evaluate and illustrate the impact of retirement timing and uneven cash flows including the "luck factor"
4. Explain the potential impact of asset allocation on the spending decision
5. Identify the optimal priority of asset distribution from various investments and accounts
6. Summarize IRS minimum distribution rules (RMD) and calculate the timing and amounts of these distributions
7. Recommend appropriate investment strategies for after-tax and tax-deferred assets and address strategies for growth and income in each
8. Calculate the tax ramifications of Net Unrealized Appreciation (NUA) and determine when it would be an appropriate strategy for clients
9. Describe applicable Roth IRA strategies and their benefits given a client's goals and circumstances within current tax law constraints
10. Identify applicable beneficiary planning challenges and recommend appropriate strategies
11. Develop Stretch IRA opportunities and explain the benefits, risks, and uncertainties of each recommendation

CPWA® Designation Program Learning Objectives (*continued*)

Section 7: Risk Management & Asset Protection

1. Identify professional and personal risks most common to high net worth clients
2. Identify assets most vulnerable to creditor claims as compared to protected assets
3. Recommend appropriate property and casualty insurance solutions
4. Describe and analyze Family Limited Partnerships as a strategy to protect assets
5. Describe and analyze Limited Liability Companies as a strategy to protect assets
6. Describe and analyze Domestic Asset Protection Trusts as a strategy to protect assets
7. Describe and analyze life insurance solutions as a strategy to protect assets
8. Describe jurisdiction issues, protection trust structures, initial and ongoing expenses, benefits, risks, and limitations of offshore strategies

Section 8: Charitable Planning

1. Calculate AGI limitations on gifts to public charities
2. Calculate AGI limitations on gifts to private foundations
3. Recommend planning strategies designed to maximize charitable contribution deductions
4. Describe the tax limitations and ramifications of gifts of ordinary income property and property subject to debt
5. Describe and analyze the major uses, structural issues, benefits and limitations, and funding strategies of Donor Advised Funds
6. Describe and analyze the major uses, structural issues, benefits and limitations, and funding strategies of Charitable Lead Trusts
7. Describe and analyze the major uses, structural issues, benefits and limitations, and funding strategies of Charitable Remainder Trusts

Section 9: Estate Planning

1. Identify assets includible in the taxable estate
2. Calculate the applicable estate tax
3. Calculate the applicable gift tax
4. Calculate the applicable generation skipping transfer tax
5. Describe and calculate the unified credit
6. Describe and calculate the tax benefits of charitable gifts and bequests
7. Discuss the use of the marital deduction and alternative strategies
8. Describe the formation and structure of trusts
9. Recommend strategies to remove assets from the taxable estate and address possible timing challenges and strategies
10. Recommend strategies that shift future appreciation to another and discuss the benefits and limitations regarding such strategies
11. Describe the use of trusts and the management of such entities including trust development (incentive clauses, maintaining control, etc.), the selection and succession of trustees, the timing of inheritance, and equal distributions to heirs
12. Describe challenges and opportunities in holding qualified plan assets in the estate
13. Analyze the challenges and opportunities of holding stock options in the estate plan and make recommendations to meet the client's needs
14. Describe and analyze Grantor-Retained Annuity Trusts (GRATs) and describe situations where GRATs are appropriate
15. Recommend strategies using valuation discounts and discuss the risks associated with these strategies

CPWA® Designation Program Learning Objectives (*continued*)

16. Describe the formation and structure of Family Limited Partnerships
17. Describe installment sales to Defective Grantor Trusts
18. Describe the tax laws, risks, and opportunities of using intra-family loans
19. Discuss the Irrevocable Life Insurance Trust (ILIT) and when using an ILIT “would” and “would not” be most appropriate in an estate plan
20. Develop and recommend a comprehensive estate plan for high net worth clients

Section 10: Client Relationships, Family Dynamics, & Legacy Planning

1. Identify primary learning styles and describe effective communication strategies for working with each type of client
2. Demonstrate the ability to interact effectively with clients using verbal and non-verbal communication techniques
3. Demonstrate the ability to communicate with clients using simple, clear language without using professional jargon
4. Demonstrate effective active listening skills
5. Demonstrate effective interviewing skills including asking relevant questions
6. Identify clients under stress and describe techniques that could be used to support them
7. Identify whether clients are "immigrants to wealth" or "natives to wealth" and develop communication strategies for working effectively with each
8. Describe common relational behaviors between family members due to their family roles and develop a communication plan for facilitating healthy dialogue and interaction
9. Develop a plan for working with intergenerational families specifically addressing client goals to pass down values and life lessons in addition to financial assets
10. Develop a communication plan for addressing the importance and utilization of human, intellectual, financial, and social capital within a family
11. Describe family office structures and services and differentiate between single and multi family office models
12. Identify appropriate family governance principles or models for multi-generational families
13. Develop a plan for the financial education of children and grandchildren of wealth families